

COMMITTEE WORKSHOP
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
) Docket No.
APPLIANCE EFFICIENCY REGULATIONS) 03-AAER-1
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

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9:08 A.M.

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P R O C E E D I N G S

9:08 a.m.

ASSOCIATE MEMBER ROSENFELD: There aren't very many of us; we probably could be a little more informal. If some of you who are at the very back row wanted to come nestle at some of the front rows. I didn't realize it would be such a small crowd, I would have brought doughnuts.

(Laughter.)

ASSOCIATE MEMBER ROSENFELD: Now where is Michael Martin, our leader? Can you tell Michael we are really going to start. Here he is.

(Pause.)

ASSOCIATE MEMBER ROSENFELD: Let's go, Michael.

MR. MARTIN: Good morning and thank you for telling me to turn that button on.

We have left now the three sections, starting with section number 29, external power supplies. And then we also have after that a hearing on the petition related to clothes washers.

Looking at number 29, external power supply, this has been a fast-moving international subject where we recognize these are not

1 California products, or even United States
2 products. They are global products and there have
3 been efforts at getting coordination between
4 Australia, China, Japan, Europe, the EPA and
5 California.

6 The result being that we have a lot of
7 numbers in the handout that you have, and a lot of
8 them need to be updated. And so I have the person
9 who was going to update it. I'd like to let Chris
10 take over on this one here.

11 MR. CALWELL: That's fine. Good
12 morning, this is Chris Calwell from ECOS
13 Consulting. I'm here on behalf of PG&E.

14 If you look at the summary that Michael
15 has provided on page 28, I won't read it all, but
16 the following numbers would be updated. We
17 estimate there are about 145 million external
18 power supplies in service throughout California.

19 The division in the next bullet between
20 linear and switching remains roughly correct. The
21 fourth bullet says the statewide energy use of the
22 product is 1.2 million kilowatt hours. We're
23 estimating approximately 5.5 million.

24 When I say statewide energy use, I
25 should clarify because this question arises quite

1 frequently. The use, the energy use of a power
2 supply is the net difference between the ac energy
3 that comes in and the dc energy that goes out.

4 So it's not what you would measure as
5 the gross consumption of the power supply and the
6 device connected to it; just the net that that
7 power supply consumes.

8 The second-to-the-last bullet notes that
9 the annual reduction in energy use per unit in
10 tier one is 8.9 kilowatt hours. We're estimating
11 more conservatively about 3.8 kilowatt hours. And
12 then the tier two savings, instead of estimated at
13 9.77, we're estimating at 4.4.

14 So the only number I cannot give you
15 today is the first year energy savings estimates,
16 because those are calculated by different means.
17 But I can give you the total energy savings
18 estimates for the entire population.

19 If those 145 million external power
20 supplies convert over to the efficiency levels
21 noted by the CEC, the savings would be, across the
22 whole population, 545 gigawatt hours in tier one;
23 and 645 gigawatt hours in tier two.

24 That's it.

25 MR. BLEES: Excuse me. Did you have

1 corresponding changes in table 20B? Obviously
2 those numbers are not -- some of those numbers.
3 The annual unit energy savings and the simple
4 payback.

5 MR. CALWELL: I don't have your exact
6 values, but you can see what we've done is
7 approximately reduce the unit energy savings by
8 about 50 to 60 percent, so a simple payback period
9 of .5 years would be somewhere between 1 and 1.5
10 years. And a simple payback period of .8 years
11 would be nearly 2, or perhaps 1.75 years.

12 MR. BLEES: Thank you.

13 MR. MORRIS: Comments allowed?

14 MR. BLEES: Fire away.

15 MR. MORRIS: Okay, thank you. Wayne
16 Morris for AHAM. Thank you very much. A couple
17 of comments that we would like to make in this
18 regard. We have extremely few, if any, products
19 in our perspective that are what we refer to as
20 external power supplies.

21 But I would mention that there's a
22 couple of things at play here that I think impact
23 this potential rulemaking. One of them is that
24 the EPA EnergyStar program, of which this refers
25 back to in a test procedure, is still in early

1 draft form. I certainly don't consider it to be
2 finalized. There was a hearing on Monday in which
3 comments were still be taken by EPA on this test
4 procedure.

5 So the biggest issue for us is that the
6 definition of what is an external power supply and
7 what may constitute what we refer to as a battery
8 charger is still very much up in the air. And
9 that's a big distinction. And we think that a
10 large percentage -- well, not a large percentage,
11 but a fairly sizeable percentage of units that
12 either ECOS or PG&E or others, including EPA
13 EnergyStar are considering to be external power
14 supplies may, in fact, end up being battery
15 chargers.

16 So I'm not sure that the energy savings
17 that you're looking at here is accurate if we
18 carve out and actually finalize a definition. And
19 I think we need to do that.

20 The second thing is that --

21 MR. BLEES: Excuse me, Mr. Morris.

22 MR. MORRIS: Sure.

23 MR. BLEES: Do you have specific
24 suggestions for changes to any of the staff's
25 proposed language?

1 MR. MORRIS: Well, that's the
2 difficulty, is that we think that the EnergyStar
3 program needs to come first. And we have been
4 working actively with EPA EnergyStar even as late
5 as last Saturday, when we had a fairly lengthy
6 discussion with Andrew Fanara about the definition
7 of what constitutes an external power supply.

8 And then he went to California for the
9 hearing in San Francisco on Monday and left the
10 country. And so we haven't been able to finalize
11 the situation. But we hope to in the next couple
12 of weeks.

13 We are working with him on trying to get
14 that definition straightened out. And I think
15 that once we do then we'll be able to really look
16 at this and get some harder numbers in terms of
17 the units that are actually included in this.

18 But I think that more important than
19 even that is the fact that EnergyStar is planning
20 and hopes to execute, within the next few months,
21 a program on EnergyStar of external power
22 supplies. And we do believe that that is a very
23 excellent road to go.

24 We would encourage the California Energy
25 Commission not to have a rulemaking in which they

1 set a regulation that is different from the EPA
2 EnergyStar program until it's had a chance to
3 shake out the marketplace.

4 I think a number of manufacturers of
5 external power supplies will already recognized
6 this program and have signed on with EPA
7 EnergyStar to produce models. If not, they
8 already have significant models that meet the EPA
9 EnergyStar level.

10 And so I think that we need to give this
11 some time to work itself through the marketplace.
12 And I really believe that that should be done
13 prior to any regulation setting.

14 That's all I have, thank you.

15 MR. HOROWITZ: Noah Horowitz with NRDC.
16 We're very supportive of the proposed language for
17 the standard here. I need to clarify, in terms of
18 the test method, work has been going on to develop
19 the test method for over 18 months. And several
20 hundred data points have been collected in labs
21 across the world using that test method.

22 Yes, I agree with Wayne that the stamp
23 final is not on it. I think we're 90 to 95
24 percent complete in the next several weeks. EPA
25 and others hope to finalize that. And I don't

1 think your standard would change. It's mainly
2 changing some language within there. So if you
3 were to test a power supply today versus a month
4 from now when it's finalized, you're going to get
5 the same result. So I don't see that as a reason
6 not to go forward.

7 In terms of EnergyStar, we're very
8 supportive of EnergyStar, as well. That's a
9 voluntary program of trying to identify the most
10 efficient ones and promote them. So they're
11 setting their bar at the top 25 percent that
12 models. Where the State of California is setting
13 the line at roughly the top 40 percent. And
14 that's an important point for California setting
15 their level.

16 There are really two designs. The older
17 designs are often linear power supplies. And the
18 more efficient ones where the market is moving
19 tend to be switching power supplies. So,
20 California, while it's using a performance-based
21 approach, will basically shift the industry to the
22 more efficient designs.

23 A couple of things in terms of the
24 language California is considering using, and,
25 Michael, I think my printer prints out different

1 numbers, but it's section 1605.3-U(1). It's for
2 the definition single voltage external --

3 ASSOCIATE MEMBER ROSENFELD: Noah, can
4 you give us a page number?

5 MR. HOROWITZ: Sure, it says 124 on
6 mine, Michael, but --

7 MR. MARTIN: This is in --

8 MR. HOROWITZ: The proposed standard --

9 MR. MARTIN: This is in the proposed
10 regulations, the big thick one.

11 ASSOCIATE MEMBER ROSENFELD: Well, we
12 know it has at least more than 124 pages.

13 MR. MARTIN: I saw your smile but I
14 didn't hear your words.

15 ASSOCIATE MEMBER ROSENFELD: I said at
16 least we know it has more than 124 pages.

17 MR. MARTIN: That's true.

18 MR. HOROWITZ: The main thing I'd like
19 to point out is in many cases when a consumer or a
20 business buys a product, the power supply comes as
21 part of the product. So if you're buying a
22 cordless phone or a cellphone or a computer
23 printer, in many cases, you have the big product
24 and there's also a power supply that's either
25 removable or hardwired to the product.

1 I want to make sure that the language, I
2 asked counsel this, I want to make sure that the
3 state is intending to regulate not just when you
4 lose your power supply and buy one at Radio Shack,
5 that's clearly covered. But the intention of the
6 authors is that the finished product is also
7 regulated if it has an external power supply
8 included at the time of sale.

9 So, Michael, or Jonathan, if you want
10 to --

11 MR. MARTIN: That's certainly our
12 intent. We'll make sure that the wording carries
13 out the intent.

14 ASSOCIATE MEMBER ROSENFELD: I'm
15 actually a little bit confused. If I go to Radio
16 Shack, in fact, and buy a fax machine, and it has
17 a, quote, "external power supply". You want that
18 included, for sure?

19 MR. HOROWITZ: Correct.

20 ASSOCIATE MEMBER ROSENFELD: And that
21 doesn't seem very -- that seems pretty obvious.
22 But are you saying that sometimes it's hardwired
23 to the -- it's separate, dangles separately but
24 it's hardwired to like the fax machine?

25 MR. HOROWITZ: Sometimes it is,

1 sometimes it isn't. And I'm not concerned about
2 that. I want to make sure, as one reads this
3 language, that down the road someone could say,
4 hey, you weren't regulating those products, you
5 were just regulating the stand-alone purchase of
6 the replacement.

7 ASSOCIATE MEMBER ROSENFELD: All right.

8 MR. FERNSTROM: So if I could jump in
9 and add a clarification. Gary Fernstrom, --

10 ASSOCIATE MEMBER ROSENFELD: Who the
11 hell are you?

12 MR. FERNSTROM: -- PG&E.

13 ASSOCIATE MEMBER ROSENFELD: Oh, good;
14 okay.

15 (Laughter.)

16 MR. FERNSTROM: An imposter. We're
17 talking about the kinds of power supplies that
18 might be included with your cordless phone, for
19 example.

20 MR. HOROWITZ: Or a cellphone at the
21 time of sale.

22 MR. FERNSTROM: Right.

23 ASSOCIATE MEMBER ROSENFELD: Which must
24 be the great majority of them.

25 MR. HOROWITZ: Correct, and as I read

1 this I saw it as gray, not black or white. It
2 says, the efficiency in the active mode of single
3 voltage external ac to dc power supplies
4 manufactured shall not be less than -- so on.

5 So, if we could add some clause whether
6 or not it's included with a product at the time of
7 sale.

8 The other part in here is most of these
9 power supplies are manufactured outside the State
10 of California. So, I'm wondering if it would be
11 preferable to put at the time of sale, rather than
12 the manufacture date.

13 It says the efficiency in the active
14 mode of single voltage power supplies manufactured
15 on or after the dates indicated.

16 ASSOCIATE MEMBER ROSENFELD: And you
17 would have sold?

18 MR. HOROWITZ: Yes.

19 MR. BLEES: Well, the statute is written
20 in terms of manufacture date.

21 MR. HOROWITZ: Yes, okay.

22 MR. BLEES: What are you concerned
23 about? What problem are you trying to solve?

24 MR. HOROWITZ: Well, virtually none of
25 them are manufactured in California, so would they

1 still be regulated?

2 MR. BLEES: Yes. Very few of any of the
3 appliances --

4 MR. HOROWITZ: Then scratch that
5 comment.

6 MR. BLEES: -- that are covered by the
7 California standards are manufactured instate.
8 Most come from other states or out of the country.

9 MR. HOROWITZ: Okay. Thank you.

10 MR. TRAVER: Dave Traver; I'm here on
11 behalf of EIA and CEA. First I have a question
12 before I make a statement. You're saying that any
13 product that uses a power pack, so this laptop or
14 any of these laptops that have power packs would
15 also be regulated? PDAs? Cellphones? All
16 consumer electronics that use them?

17 Well, on behalf of the CEA they did
18 indicate to me, and I have worked with their
19 committees, that -- and I echo Wayne's comment,
20 that it is premature. While we've been working
21 very hard with ECOS and other EPA consultants, in
22 trying to make a decent standard, and it is not
23 completed. And we want that work to continue.

24 If we now have 50 states, or just pick
25 20 or 30 that now, every two weeks, gives us a

1 two-week notice that they're going to set a
2 different level -- and I heard right here we're
3 going to do it at 40 percent, not 20 percent --
4 could you imagine what it would mean to the
5 manufacturer? Every two weeks we've got to try
6 and change products for a different state. You
7 have to be --

8 MR. BLEES: Come on, let's be serious.

9 MR. TRAVER: I am serious. We need --

10 MR. BLEES: That's --

11 MR. TRAVER: -- we need --

12 MR. BLEES: -- nobody's suggesting that
13 you're going to have a two-week notice, okay.

14 MR. TRAVER: This --

15 MR. BLEES: And the chances of 20 states
16 acting, it's, no, less than slim to nothing.

17 MR. TRAVER: Well, we --

18 MR. BLEES: Let's try to focus on the
19 substantive problems here --

20 MR. TRAVER: Okay, substantive, that we
21 have been working with the EPA, ECOS and other
22 consultants for the last year. That's a fact.

23 We need regulation in this area, a
24 regulation or some kind of standard developed.
25 That's a fact.

1 To have individual states set different
2 levels is problematic. That's a fact.

3 Now, is it going to be three states? Is
4 it going to be ten states? Is it going to be 50
5 states? I would agree, I don't believe all 50
6 states will act. But it makes it quite
7 problematic for us when we get multiple levels for
8 these products. It's almost impossible, with our
9 distribution systems, to say which state it's
10 going to go to.

11 I just would like to encourage and voice
12 the same opinion as AHAM for CEA that we continue
13 with the EPA program before regulation is
14 considered.

15 Thank you.

16 MR. BLEES: And can you tell us what
17 activities there are, sir, in other states for
18 developing a standard for these products?

19 MR. TRAVER: There were three other
20 states that were proposing, I believe. Chris
21 probably has that data better than I do.

22 MR. CALWELL: Yeah, I actually don't. I
23 have information about other states pursuing
24 standards on other products. But I haven't heard
25 about an external power supply --

1 MR. TRAVER: There were three that were
2 pursued, and as a consultant, I haven't followed
3 it as closely for the CEA. But the CEA would be
4 happy to present that data within the next week or
5 so. I'll request it from them.

6 But all those proposals were, in my
7 understanding that have been proposed, have been
8 struck down or left in committee to die, I
9 believe.

10 MR. HOROWITZ: To the extent standards
11 are often -- are posed in other states, there's a
12 community within the energy efficiency advocates
13 and other interested parties. We very much intend
14 to harmonize what we do, so it's not like someone
15 like myself is going to pop up in another state
16 and ask for 38 percent or 42.

17 What happens in California, to the
18 extent other states consider setting standards, it
19 would be at the same level. So I think your
20 concern of a patchwork is ill founded.

21 MR. TRAVER: Well, no, I only based it
22 on your comment of a few minutes ago, that EPA was
23 setting it at a 20 percent level and California
24 was setting at a 40. I didn't know what that
25 meant, and that --

1 ASSOCIATE MEMBER ROSENFELD: Hold on,
2 Dave. I think there is an issue here. I actually
3 believe that we're really, in our discussion, sort
4 of among the choir. I don't think there's any
5 serious doubt by anybody that we need to tighten
6 up the efficiency of power supplies. Because if
7 you take even Chris' later data, there's a big
8 opportunity out there for one- to two-year
9 paybacks. And --

10 MR. TRAVER: There is no disagreement on
11 that.

12 ASSOCIATE MEMBER ROSENFELD: So we're
13 really just discussing, I think, the relationship
14 between the EPA standards and -- that is
15 EnergyStar, and California. And as I understand
16 it, there is a proposed difference. Which it
17 seems to me, I'd like to hear some more discussion
18 on it, makes sense, that is EnergyStar, bless
19 them, has a great tradition of trying to pick like
20 the top one-eighth of the market, or one-quarter.

21 And I think Noah said that corresponds
22 to about -- well, right now Noah actually said not
23 as much as a quarter. You said the top 20
24 percent.

25 MR. HOROWITZ: No, just to clarify,

1 Commissioner. EnergyStar is considering setting a
2 level of the top 25 percent, and that's --

3 ASSOCIATE MEMBER ROSENFELD: Twenty
4 five.

5 MR. HOROWITZ: -- and that's voluntary.

6 ASSOCIATE MEMBER ROSENFELD: Right.

7 MR. HOROWITZ: And the State of
8 California is proposing the top 40 percent. So if
9 you want --

10 ASSOCIATE MEMBER ROSENFELD: My mistake,
11 thank you.

12 MR. HOROWITZ: And California is not
13 proposing adopting EnergyStar at this time. We
14 can do that, but I don't think that's what we're
15 after.

16 MR. BLEES: Aren't we -- there's a very
17 important distinction here. EnergyStar is a
18 voluntary incentive program. It is designed to
19 inform consumers about what are the very most, or
20 as you said, approximately the top 25 percent, in
21 terms of energy efficiency, in the market. It's
22 an educational program. It's a market
23 transformation program.

24 California -- so EnergyStar is trying to
25 get consumers to buy the very best. Standards, on

1 the other hand, are an attempt to get rid of the
2 worst performing, the least energy efficient
3 products at the bottom of the market.

4 So, actually, having California set a
5 standard at approximately the 40th percentile now
6 would work very well with the EnergyStar program
7 designed to recognize the best of that remaining
8 group.

9 I don't think there's any conflict here.

10 MR. TRAVER: Well, there's just two
11 issues that I would like to point out. Number
12 one, setting up a level, whether it's 10 or 25
13 percent or 40, typically has been the EPA method
14 to measure what's out there. And then pick a
15 number in that range. So that they had some
16 winners, if you would, to begin promoting the
17 EnergyStar efficiency of that particular product
18 line.

19 But usually what happens with
20 manufacturers, and tv's are a good example, since
21 I was the first one to help EPA develop a
22 measurement procedure, I know for Sony, who I
23 worked for 20 years, 100 percent of their product
24 is EnergyStar, the tv product. There isn't a
25 product in the tv -- in other words, once you set

1 that level, that's the second point, is that the
2 large manufacturers, and I know all of the large
3 manufacturers that I've talked to recently, tend
4 to go to really 100 percent level.

5 Because you can't manufacture different
6 levels for different countries, let alone
7 different states. You just can't do it.

8 ASSOCIATE MEMBER ROSENFELD: That's
9 wonderful, yes.

10 MR. TRAVER: Okay. So, that setting of
11 that level really means that the large players
12 usually are the ones that drive that program. And
13 that's really the majority of the market share,
14 also.

15 ASSOCIATE MEMBER ROSENFELD: But I think
16 it's still a fact that we would -- I think all we
17 agree on, that between the EnergyStar voluntary 25
18 percent, and using the same data, a line which
19 Chris Calwell and his friends have drawn at the 40
20 percent level, we are talking about energy
21 efficiency savings, bill savings, CO2 savings,
22 global warming delaying, which has about a two
23 year payback.

24 And we don't want to leave that on the
25 table just to rust. We're all agreed that two

1 year payback is good for society.

2 And the only other thing I'd like to
3 make is Jonathan and I have been in this game for
4 a long time. There are huge appliance savings in
5 the United States to date. And as far as I
6 remember something like two-thirds of all the
7 savings that we have from appliance standards,
8 which are judged to be a worldwide success, came
9 because states started first.

10 MR. TRAVER: I beg to disagree with the
11 Commissioner on that. Again, let me use tv as a
12 reference. I worked with EPA after DOE
13 legislation, which was poor legislation, it
14 affected the quality of the product, several years
15 ago.

16 We came up with the EnergyStar for tv
17 which was the first consumer electronics. It's
18 now expanded to audio and other products. And tv
19 is virtually, by your own report, or your
20 consultant's report, said that there were in the
21 range of 1200 to 1300 models available to the
22 consumer today for tv's. And that's out of your
23 own report from PG&E.

24 Now, 1200 to 1300 models available is
25 the majority, if not all. I won't say that there

1 isn't the other statement that there might be one
2 or two cheap companies dumping, but again, if we
3 really look at the market data, virtually 100
4 percent of the tv's by the people that fill that
5 market, is already filled by a voluntary program.

6 ASSOCIATE MEMBER ROSENFELD: And, Dave,
7 I have complete respect for that program. I think
8 that's wonderful. I think you guys are
9 international heroes.

10 But, as you said, that legislation is
11 fairly recent. I can also cite that when we got
12 into refrigerators in 1975, we were at 1800
13 kilowatt hours a year. California started passing
14 legislation, maybe some other states did, too; the
15 manufacturers all conformed because the savings
16 were so easy.

17 And before the federal government got
18 into the business we were down from 1700 to I
19 think 650, before EPAC even passed. So --

20 MR. MORRIS: No, it's about 1400, I
21 think.

22 ASSOCIATE MEMBER ROSENFELD: Pardon me?

23 MR. MORRIS: Well, if you combine all
24 the different model rates I think it was about
25 1400.

1 MR. TRAVER: I think we both agree that
2 something needs to be done. I think what we're
3 disagreeing is on the process. I believe that the
4 EPA process, which is well under way and almost
5 completed, from the CEA perspective is the way to
6 go.

7 Regulation is the other way to go. It
8 does pick up, I think, in the short term it will
9 pick up everybody. You won't have any low, as you
10 call those, loss leaders, or those cheap -- and I
11 don't want to use the term like a Radio Shack or -
12 - let's just say electronics store, some of those
13 cheap imports, it will pick up some of those.

14 But I believe, again, the majority of
15 the market, once they start manufacturing to these
16 EPA levels or whatever standard you want to call
17 it, manufacturers can't switch back and forth and
18 say, here, you're going to get this inefficient
19 one. It goes all one way.

20 So, anyway, we think it will -- the
21 voluntary way will work, rather than the
22 legislative way. And that's, I guess, the end of
23 my comment.

24 MR. FERNSTROM: Well, if we're in
25 agreement that there's an opportunity for

1 voluntary programs with the leading edge of high
2 efficiency equipment, and I think as Jonathan very
3 clearly stated there's an opportunity for the
4 state to prohibit the sale of the laggards, or the
5 very worst performing equipment, how would you
6 propose that we sweep away the worst equipment on
7 the market if we don't do it through state
8 standards?

9 MR. TRAVER: What I'm saying, again like
10 tv, the majority of these units -- I'll just use
11 the pc's that are on the table right now.
12 Everyone of those, I'm sure, is a name brand that
13 someone recognizes, whether it's Compaq or Dell or
14 Sony.

15 MR. FERNSTROM: Well, --

16 MR. TRAVER: My point is they're large
17 manufacturers; and the large manufacturers will
18 follow that program. They do it every time we've
19 added audio or we've added different product,
20 they've followed it. And virtually all of those
21 products are now 100 percent EnergyStar.

22 MR. FERNSTROM: Okay, so we --

23 MR. TRAVER: So I believe that would
24 happen, also.

25 MR. FERNSTROM: Okay, so --

1 MR. TRAVER: History has shown us.

2 MR. FERNSTROM: -- for the moment let's
3 accept that premise.

4 MR. TRAVER: Right.

5 MR. FERNSTROM: What about the others,
6 the kinds like Chris Calwell has, many of which I
7 have in my home because they came with less
8 sophisticated products?

9 MR. MORRIS: But, Gary, if I could, I
10 think one of the issues that we got into in
11 looking at this proposed regulation is the payback
12 analysis. And also the amount of total energy to
13 be saved to the citizens of California. And I
14 think that's important to keep in mind.

15 We're not really dealing with here
16 whether or not regulations are good or regulations
17 are bad. I think what we're trying, at the end of
18 the day, to figure out is whether or not we're
19 going to save real energy for the consumers. And
20 I mean substantial energy; we're not nickel and
21 diming some small amount of energy at some point.

22 MR. FERNSTROM: Well, I don't think it's
23 the --

24 MR. MORRIS: The point -- let me just
25 finish -- the point that I was trying to make here

1 is that if the market transformation takes place
2 that Dave is talking about, and I firmly believe
3 he's right, it will, that the significant numbers
4 over the course of a year or two at the most of
5 large manufacturers that form the bulk of these
6 external power supplies will have converted over
7 to EnergyStar level. Which will be at a level
8 above, in fact, the California preset level.

9 Therefore, the number of, as you called
10 it, laggards, and I disagree with that term, but
11 nevertheless, those products that don't meet the
12 standard will be far fewer. And therefore the
13 energy savings that we would be looking at by a
14 prescribed standard would be far less for the
15 citizens of California. And we'd be looking at
16 something that, I think, would be minuscule in
17 proportion to the numbers that have been cited in
18 the ECOS report.

19 MR. FERNSTROM: Well, I, first of all,
20 disagree about the propensity of the less
21 efficient equipment to just disappear from the
22 market. History hasn't shown that to be true.

23 But I think we have a philosophical
24 difference about what energy efficiency should be
25 pursued. You talk about the magnitude of the

1 savings as if we ought to pursue technologies and
2 opportunities that generate big numbers of
3 savings.

4 I tend to look at it based on the cost
5 effectiveness. Whether the numbers are big or
6 not, we ought to pursue those opportunities that
7 generate savings in a very economical manner for
8 the citizens of the state.

9 So, power supplies, while admittedly
10 they use very little energy, a significant amount
11 of that very little energy can be saved for a very
12 very low cost. And that's what drives our
13 interest in this opportunity.

14 MR. MORRIS: Well, respectfully, we
15 disagree.

16 MR. CALWELL: I guess the one other
17 point we might want to interject in all of this is
18 not just stringency and coordination or sequencing
19 between mandatory standards and voluntary, but
20 also understanding timing.

21 So the dates that are on the table are
22 as follows: EnergyStar said at the meeting on
23 Monday that they hope to complete their labeling
24 program by September or October of this year for
25 immediate usage in the marketplace. That may

1 change slightly, but it won't change dramatically.

2 The California standards as you see on
3 page 124 are proposed for adoption on 1/1/06 at
4 tier one; and at 1/1/08 for tier two. It's worth
5 noting that the tier two standards are proposed to
6 be roughly identical to EnergyStar.

7 So, if, in fact, EnergyStar can achieve
8 the dramatic success that we've heard posited this
9 morning, good for us. The mandatory standards are
10 simply a safety net that follow behind and insure
11 that those are locked in.

12 If EnergyStar achieves its success with
13 the top 25 percent of the market and the remaining
14 75 percent does not move, then California's
15 standard comes along and captures that in a timely
16 fashion that follows behind EnergyStar and allows
17 it to lead the market as designed.

18 ASSOCIATE MEMBER ROSENFELD: Steve
19 Nadel.

20 MR. NADEL: Yes. There was a question
21 earlier about other states pursuing standards on
22 these products. I'm very active with the
23 appliance standards awareness project, which has
24 been working with many of these states.

25 To my knowledge no other states are

1 seriously considering power supply standards at
2 this time. There was a proposal last year in
3 Florida, but Florida has decided not to move
4 forward with any standards.

5 To the extent any other state has done
6 it, it's probably individuals who picked up on an
7 idea somewhere. I don't think they're especially
8 serious. For example, I think there was a
9 proposal in Colorado that got introduced. But no
10 one was really working it, and it's a conservative
11 Legislature, and no one expected it to pass.

12 My understanding is, in fact, California
13 is the leader on this. I do know a number of
14 states are very interested in looking at this. It
15 would not surprise me that if California were to
16 adopt this standard this year, or even modify a
17 standard, a number of states would follow that
18 next year. But I think the states are very much
19 looking to follow California and are not at all
20 looking to set a slightly different level.

21 The other thing I wanted to point out is
22 that EnergyStar has been extremely successful for
23 some products; for some products it hasn't been as
24 successful. It's hard to say exactly where the
25 power supplies would fall.

1 In the case of set top boxes, which I
2 believe we'll talk about later, I'm not even sure
3 they have a 1 or 2 percent market share for
4 EnergyStar. The other extreme, pc's, you know,
5 we're talking more than 95 percent. So there's
6 quite a continuum and it's hard to say that they
7 are all successful. There are quite a few
8 products, and I think Leo Rainer will talk about
9 this a little later, where it's more in the 40, 50
10 percent range. Yes, it's significant, but there's
11 a very significant share that's not.

12 That would be my personal guess of where
13 we'd wind up with an EnergyStar power supply. But
14 it is just a guess, because we will have to see
15 how the market progresses.

16 MR. MORRIS: Steve, it's not just an
17 issue of how many different models comply with
18 EnergyStar; it's the population issue of the
19 models. And we believe that historically, in the
20 area of electronics, the larger companies that
21 Dave Traver has mentioned are, in fact, the bulk
22 of the population of many of these situations.
23 And have taken a very responsible view toward the
24 situation.

25 And I would re-mention that I don't

1 think you can see EnergyStar in light of its
2 entire history. I think you have to look at it
3 particularly in the last three or four years when
4 the retailers have really gotten behind the
5 EnergyStar program. And it is the retailers who
6 will be carrying many of these products, not
7 necessarily a cable tv company or something like
8 that.

9 If you look at, for instance, a fairly
10 new program in EnergyStar, in our area it was
11 programmable thermostats, which went from
12 virtually no compliance about five years ago to
13 almost 100 percent compliance now. And why?
14 Because the retailers essentially said they don't
15 want to carry anything other than EnergyStar
16 compliant product.

17 So, I think that there have been very
18 good uptake on the EnergyStar program. And we've
19 supported EnergyStar over the years, and continue
20 to.

21 I do think that it needs to be given its
22 time to figure out what it does to the
23 marketplace. Allow the manufacturers to design
24 product to meet that type of situation.

25 I think the 1/1/06 level that you're

1 talking about in terms of tier one is extremely
2 hard for a manufacturer. That is virtually
3 tomorrow in design cycles. And I think that as
4 these commodity items are somewhat ubiquitous in
5 the electronics field, this is a very difficult
6 thing to try and meet.

7 I would encourage the Commission to
8 seriously think about not setting these until
9 after the EnergyStar program has reached its
10 definition; has reached the finalization of its
11 test procedure; and has had sufficient time to
12 look at transforming the marketplace.

13 Thank you.

14 MR. TRAVER: Just a comment on industry.
15 Now, again, power packs go to everything, but in
16 discussing with a large computer manufacturer,
17 their biggest problem right now with laptops and
18 power packs is power consumption. Because we want
19 to be able to burn DVDs and have eight megabytes
20 of memory and 40 gigabyte drives, and we want
21 everything portable on these things.

22 And so actually, from a design
23 standpoint, the difficulty is making these things
24 efficient because of heat, a problem to
25 electronics. And that's just a generic problem

1 that we have, as things get smaller and smaller
2 they become more efficient in electronics. That's
3 a normal integration process. It's called
4 integration.

5 So they tend to do that. And so I guess
6 my question, or problem, is not with -- again, the
7 large players that fill the market with let's say
8 pc's as an example, will be almost penalized. And
9 I do agree with Gary, you know, whether it's an
10 electric toothbrush power pack or other products,
11 you know, I think there's issues there.

12 But from the consumer electronics
13 issues, whether it's a large player, a large
14 product that fills the market, the EnergyStar
15 program has worked and it's in the 90 percent
16 range.

17 And I can go back to like the monitors,
18 which were the first ones that were the 99 percent
19 range. Tv's are in the 100 percent range for
20 current product. Now the numbers that the report
21 show is like it's a 40 percent market. Well,
22 that's the old 20 million sets -- 200 million sets
23 that are already in the market. If you go to the
24 current Circuit City and look at your Dell
25 products and your Sony products and your Panasonic

1 products, you're going to find that there's an
2 EnergyStar program. The majority are going to be
3 up in that 80 to 90 percent range.

4 Thank you.

5 MR. FERNSTROM: Well, let me just
6 comment on that, Dave. I agree with you that the
7 computer manufacturers, in particular for laptops,
8 have been leading the market; and their products
9 largely comply. I have a five-year-old computer
10 here that I'm typing on. It's sadly not a Sony.
11 I wish it were. But it came five years ago with a
12 switching power supply which is pretty efficient.

13 However, my zip drive that I bought just
14 a couple of years ago came with a transformer
15 passive power supply. So it kind of depends on
16 the product.

17 And most certainly, my DustBuster has a
18 passive transformer based power supply. So, you
19 know, it depends.

20 The part of the market you're talking
21 about, yes, we do see efficient power supplies
22 there. And I don't think those manufacturers
23 should be concerned because they would largely
24 comply with the standard.

25 ASSOCIATE MEMBER ROSENFELD: Michael.

1 MR. MARTIN: I would just like to bring
2 to -- as we bring this to a close, make a couple
3 of points. One is I've been working on appliances
4 since 1976. And I don't remember any appliance we
5 worked on that there has been more effort put into
6 coordination with other states, government
7 agencies, countries or continents than has been
8 happening on this one here.

9 Commissioner Rosenfeld's Adviser is not
10 here because he's in a meeting on this very same
11 subject in Paris. And so --

12 ASSOCIATE MEMBER ROSENFELD: And so
13 is --

14 MR. MARTIN: -- there's been a
15 tremendous effort going on for coordination on
16 this.

17 And the other aspect is I find it a
18 problem as to why it should be a -- you should be
19 complaining about having to meet a standard when
20 you say that everything's going to go to something
21 that's better than this anyhow.

22 MR. TRAVER: No, I'm not complaining.
23 All I'm saying is the EPA, and we heard the
24 EnergyStar program is coming out in September and
25 October -- thanks for that information; I knew it

1 was soon.

2 But to regulate before that I would
3 almost say from a rational standpoint if it
4 doesn't work a year from now and it ends up like
5 the set top box, there's technical issues there.
6 But that program is not working. The program
7 doesn't work, regulate. I don't have a problem
8 with that.

9 But you're not giving the voluntary
10 program and the manufacturers that have helped
11 support that program, along with industry and
12 government, to develop the program, time to work.
13 We go directly to a, you know, a regulatory
14 requirement. I have a little problem with that.

15 MR. MORRIS: I'd like to add a couple of
16 things to that. One is that this is an item tat
17 is included in the energy bill before Congress
18 that would give DOE direction, I guess you would
19 call it. Steve knows the language much better
20 than I do, but I think you could safely call it,
21 would give them direction to do something in
22 regard to energy efficiency standards for power
23 supplies, external power supplies and battery
24 chargers and other types of electronic products.

25 That's included in that. We've worked

1 together with ACEEE on the language for the energy
2 bill. We are extremely hopeful that it will pass.
3 I know that Congress this year is not exactly
4 moving in the direction any of us would like on
5 some of these important items, but nevertheless we
6 continue to be on The Hill every week working
7 actively to try and get that energy bill passed.

8 I think that part of the rush that we
9 are seeing, in many cases, from the energy
10 utilities and energy consultants on this
11 particular issue is because they recognize that if
12 an EnergyStar program went in, that the numbers
13 would change so dramatically in terms of the
14 numbers that need to comply and the number of
15 overall savings, that I don't think that we would
16 be even looking at this two years from now.

17 And so I think that that is the issue
18 that is before us. When should we do this, not
19 if. And I think that we need to also get the
20 definition straight, get the test procedure
21 straight. Make sure that we've got all of that
22 tied down before we go forward.

23 So, thank you.

24 ASSOCIATE MEMBER ROSENFELD: Noah, we
25 obviously are going to have to move on pretty

1 soon, but --

2 MR. HOROWITZ: I'll be brief,
3 Commissioner.

4 ASSOCIATE MEMBER ROSENFELD: -- Noah
5 Horowitz, NRDC.

6 MR. HOROWITZ: Thank you. Dave, I'm a
7 little -- I think Mike Martin stated it, but I
8 need to make sure this goes on the record. If
9 large companies are going to make products that
10 meet EnergyStar and if they're going to do that,
11 they're going to do that for their whole product
12 line, then by California setting a standard less
13 stringent than EnergyStar, I don't see how that's
14 a problem.

15 And that may cover some of the larger
16 product categories like laptops and -- let me
17 finish -- and then there's still a whole lot of
18 other products that have external power supplies
19 that are lower cost. And we might not see the
20 good graces from those manufacturers. And there
21 are lots of products that could be relatively
22 inexpensive, cordless phone and the like.

23 So, that's why California is proposing
24 to do what it's doing. And we have a two and a
25 half year lead time here, Wayne. The proposed

1 standard is 1/1/2006. And there are lots of power
2 supplies now already on the market that not only
3 meet California's proposed standard, but also
4 EnergyStar.

5 So in terms of that we're in a hurry and
6 there aren't going to be available power supplies,
7 I disagree.

8 And lastly, on the energy bill, who
9 knows whether there will be a federal energy bill.
10 So, yes, there is provision in there to include
11 power supplies. But I wouldn't assume that that's
12 going to pass. And even if it does, California
13 having a standard would be a good thing, as it'll
14 affect what happens in the federal bill, to the
15 extent there is one.

16 MR. MORRIS: Well, I don't know where
17 you clock is, but if the California Energy
18 Commission finalizes this rule, they will probably
19 do so no earlier than the end of this year. That
20 would give manufacturers one year to meet this
21 tier one, not two years.

22 MR. HOROWITZ: Okay, my mistake there.

23 MR. TRAVER: The large manufacturers
24 will meet it, that's not a problem. I think the
25 problem is that it kills the EnergyStar program.

1 I mean, clearly.

2 Because I have a list, and when I
3 approve a product I've got to meet you don't know
4 how many regulations. You know, environmental
5 regulations and material regulations and safety
6 regulations. And so the minute it's a regulation
7 it's on the top of that list. It's not any more
8 voluntary, it's a requirement.

9 The reality is that we'll have to meet
10 the California regulation and EPA, we won't even
11 consider it, even though we'll meet the level.
12 The reality is how we approve our products and
13 make sure that they're marketable in the state.
14 It'll be to the regulation, not to any voluntary
15 program.

16 MR. BLEES: I'm sorry, sir. Are you
17 suggesting that if California sets a standard that
18 no manufacturers will attempt to gain an
19 EnergyStar designation?

20 MR. TRAVER: No, why would I put a --

21 MR. BLEES: Well, --

22 MR. TRAVER: -- label on a product --

23 ASSOCIATE MEMBER ROSENFELD: You have to
24 go to the mike, Dave.

25 MR. TRAVER: Okay. My point is that I'm

1 going to throw away the two-cent label. Why?

2 Because it's a cost. Why do I put an EnergyStar
3 on it? It's required by law.

4 MR. BLEES: Well, there are dozens of
5 appliances for which there is either a California
6 or a national standard and in EnergyStar program.
7 And the last time I was in Home Depot I saw a lot
8 of EnergyStar stickers. I mean --

9 MR. TRAVER: Well, Consumer Electronics,
10 we are trying to distinguish --

11 MR. BLEES: I understand the --

12 MR. TRAVER: -- our products --

13 MR. BLEES: -- theoretical point, but
14 all of the evidence is 180 degrees opposite to
15 what you suggested will happen.

16 MR. TRAVER: Well, there's a reward and
17 there's a perception by our consumers, and it's
18 growing all the time, that EnergyStar is a
19 valuable feature. And we want to continue
20 promoting that.

21 If it becomes -- you know, safety's a
22 feature, too, but we put UL labels on the back of
23 the unit where you don't really look at it, and
24 it's not promoted.

25 EnergyStar is on the front of the unit

1 and it's promoted. And it's promoted with big
2 banners at Sears and distributors. And we don't -
3 - you know, you don't see UL big labels at Sears.
4 They're both important.

5 But it's the whole program of EPA that I
6 think has been quite in jeopardy if we just go
7 straight to regulation and don't let the
8 EnergyStar program work.

9 MR. MORRIS: Jonathan, Wayne Morris.
10 The other issue that you point out, a very good
11 point about the fact that there is EnergyStar and
12 there are regulations on some appliance
13 situations. It's a true statement, but the
14 EnergyStar came after the regulation. And so the
15 regulation set the bottom, and then there was a
16 marketplace that was allowed to move the models
17 and allow a 25 percent.

18 If you're looking at the efficiency
19 level of these power supplies, there's a very
20 narrow window of improvement that can be made in
21 the situation. If you set the regulation almost
22 on top of where the EnergyStar program is, I would
23 agree with Dave. I would see what would be the
24 point in having EnergyStar at that point.

25 In fact, I would go to a retailer and

1 say, there's no need for you to want to carry
2 EnergyStar products on these because the
3 regulation is essentially the same. And I think
4 the retailer would say, yeah, why do I need to
5 advertise that. As they do in some other
6 situations. They don't even advertise EnergyStar
7 in some areas.

8 So I think that it's all the more reason
9 why we need some time to shake this situation out.
10 Let the marketplace shift out. It will, I'm
11 absolutely convinced, in electronics, that it
12 will. If you follow the great history that the
13 consumer electronics manufacturers have had, they
14 comply with these situations rapidly.

15 MR. BLEES: Mr. Calwell.

16 MR. CALWELL: Jonathan, if I might
17 interject. This is Chris Calwell from ECOS. I'm
18 sorry we don't have a printed version or an
19 onscreen version of the proposed specification,
20 but as you all may recall, it compares the
21 percentage efficiency of a power supply to its
22 wattage.

23 And so Wayne just offered the comment
24 that there wouldn't be much room to designate
25 better efficiency above the mandatory standard.

1 Just for the record, in low wattage
2 power supplies, which are the most common devices,
3 you know, the ones that go with cellphones and
4 cordless phones, they're literally sold in
5 quantities of hundreds of millions in the U.S. In
6 those low wattage power supplies the standard can
7 be in the 20, 30, 40 percent range.

8 Whereas the theoretical upper bound of
9 the best products we have tested in our laboratory
10 is in the 70, 80 percent range. Percentage
11 efficiency.

12 So, I actually believe there's quite a
13 bit of room for manufacturers who wish to
14 highlight the efficiency of their products to do
15 so above and beyond the mandatory standards. And,
16 again, quite a bit of time. Remembering that the
17 proposed California standard doesn't reach the
18 current EnergyStar proposed level until 1/1/08.
19 Which is, by my calendar, three and a half years
20 from now.

21 So there is time, there is room, and if
22 EnergyStar goes first and manufacturers wish to
23 get the label, it will already be there before the
24 standards take effect.

25 MR. NADEL: Okay, I just wanted to add

1 one other thing for the record. Wayne is correct,
2 we have worked with AHAM and CEA and others on
3 federal legislation that would call for DOE to
4 have a rulemaking to consider standards on these
5 products.

6 But the legislation doesn't guarantee
7 that DOE will set standards. And under the time
8 period specified in the legislation, I think the
9 quickest DOE could set standards and have them
10 take effect would be eight years after date of
11 enactment.

12 So if we get lucky and the legislation
13 passes late this year, we're talking roughly a
14 2013 standard, assuming DOE is on schedule, which
15 unfortunately they rarely are.

16 Steve Nadel, again. Wayne's making a
17 face. I believe the legislation gives two years
18 for test procedures to be developed; three years
19 for a rulemaking; and three years before an
20 effective date.

21 MR. MORRIS: Well, that assumes that
22 there isn't a test procedure already in place. If
23 the EnergyStar already has a test procedure then
24 why would DOE not just adopt that. I think it can
25 be done in a much faster basis.

1 The second would be that DOE, if the
2 manufacturers and the energy advocates go directly
3 to DOE and ask for a rule on an accelerated basis,
4 it can be done in a lot faster time. It has been,
5 in some cases in the past, and certainly could in
6 the future. So I would seriously disagree with
7 that eight-year comment.

8 MR. BLEES: Yeah, but, Wayne, I mean
9 come on, no one ever went broke betting that DOE
10 would be late.

11 (Laughter.)

12 MR. MORRIS: Be first to agree.

13 MR. MARTIN: (inaudible).

14 ASSOCIATE MEMBER ROSENFELD: Yes, I do
15 want to make one friendly remark, and that is,
16 Wayne and Dave, I do appreciate all your comments.
17 I'm listening hard.

18 But I still think we're basically all
19 trying to do a very similar thing. And this has
20 been a long discussion, but it's actually
21 remarkable the differences between our points of
22 view are not very large.

23 We're all fans of EnergyStar; we're all
24 fans of energy efficiency. We're all a little
25 skeptical of DOE's race for the future. And so

1 I'm still very comfortable, thank you.

2 Michael Martin, try to --

3 MR. MARTIN: Number 30 is audio and
4 video consumer electronics. And I'd like to pass
5 the mike to Chris on this one, too, if you would.

6 MR. CALWELL: Leo Rainer, I think, from
7 Davis Energy Group is going to present the
8 details.

9 MR. MARTIN: Okay.

10 (Pause.)

11 MR. MARTIN: If you could just give --

12 ASSOCIATE MEMBER ROSENFELD: Michael,
13 can't hear you. Maybe I'm not supposed to.

14 (Laughter.)

15 MR. MARTIN: I failed to turn off the
16 microphone so that you couldn't hear me. Maybe I
17 should just introduce this one with reading some
18 of the introduction here.

19 This equipment includes compact audio
20 systems, televisions and DVD consumer electronics
21 that use an internal power supply. There are
22 estimated to be 7.8 million compact audio systems;
23 21.8 million televisions; and 3 million DVD
24 players in use in California.

25 Approximate annual sales of 1.1 million

1 of compact audio systems; 2.5 million televisions;
2 1.5 million DVD players. Average annual per use
3 standby is 64.4 kilowatt hours for compact audio
4 systems; 97.5 kilowatt hours for televisions; and
5 26.5 kilowatt hours for DVD players.

6 The proposed standards, a maximum
7 allowed standby energy use for compact audio
8 systems, televisions and DVD players, estimated
9 annual per unit reduction in energy is 51 kilowatt
10 hours for compact audio systems; 27 kilowatt hours
11 for televisions; and 8 kilowatt hours for DVD
12 players.

13 First year statewide energy savings of
14 56.1 million kWh for compact audio systems; 67.5
15 million kWh for televisions; and 12 million kWh
16 for DVD players.

17 As with the previous item the added
18 total costs small, and the payback is very short,
19 varying from .2 of a year to 1 year with design
20 lives of 5 to 7 years.

21 MR. TRAVER: Are these the only three
22 products that you're considering?

23 MR. RAINER: I think I can answer that.

24 MR. TRAVER: I mean for regulation.

25 ASSOCIATE MEMBER ROSENFELD: Leo, I

1 didn't hear a word you said.

2 MR. MARTIN: They are the only ones in
3 the staff report. However, there is the next item
4 on our agenda here will be to talk about set top
5 boxes, which were --

6 MR. TRAVER: Independently?

7 MR. MARTIN: -- included in the case
8 study.

9 MR. TRAVER: Okay, because --

10 MR. MARTIN: And we have to figure out
11 whether to get this in the standards or not.

12 MR. RAINER: Would it be better to
13 include it all together? We could just discuss it
14 as one.

15 MR. TRAVER: Okay, because, again, when
16 I looked at the actual draft of regulation, and I
17 looked at the consultant report, and then I look
18 at this, I'm not sure what the total picture is of
19 what we're proposing.

20 So you're proposing these three, if I'm
21 clear, and maybe set top boxes?

22 MR. RAINER: I'll try to clear up --

23 MR. TRAVER: Okay, thank you.

24 MR. RAINER: The problem happened
25 because the case report, which you saw, which has

1 five distinct products in it was delivered to the
2 CEC later than both their staff report and the
3 regulations. So the addition of set top boxes and
4 digital television adapters was not in the staff
5 report. But we are proposing the addition of
6 these to the regulations.

7 There's a copy, I believe, out on the
8 desk of some of the numbers that I was going to
9 present.

10 What we're proposing is to add two
11 products, in addition to these consumer electronic
12 products. One is what are known as basic
13 integrated receiver decoders. These are basically
14 your cable or satellite box. And these are basic
15 products that don't have added functionality such
16 as digital video recording or some of the advanced
17 features that are being added to set top boxes.

18 The second category are what are known
19 as digital television adapters or digital
20 television converters. These are a product that
21 current there are very few out there, but we are
22 going to see, or we're estimating that there will
23 be a significant increase in their sales as soon
24 as the conversion of terrestrial broadcasting goes
25 from analog to digital. And that will happen

1 sometime between 2007 and 2009.

2 As soon as that happens anybody who owns
3 a legacy analog tv or VCR will not be able to
4 receive over the air broadcasts, because it will
5 be in digital format. And they will therefore
6 have to have some sort of conversion box.

7 Either they will have to use their cable
8 box, which may be a digital cable box; or their
9 satellite box. If they don't have that, or if
10 they have a second tv that is not connected, they
11 will have to purchase a digital television
12 adapter. And that is the second product that
13 we're proposing to regulate.

14 Our current estimate for set top, for
15 integrated receiver decoders is that there are
16 about 9 million in California. There are
17 currently probably very few digital television
18 adapters. We don't really have numbers on those
19 yet because no one has to have them yet. There is
20 already digital broadcasts, but there is also
21 analog broadcasting in addition.

22 Our estimates for the -- our proposed
23 regulation is that both of these products meet the
24 current EnergyStar tier one. For the set top
25 boxes that would be 15 watts; and then an

1 additional 5 watts for any LNB, load noise block,
2 that's used in satellite boxes.

3 For the digital television adapters
4 we're proposing a 3 watt standard. In the handout
5 that's out on the table I've reversed those, and
6 so those need to be -- I have it backwards.

7 The proposed savings would be for the
8 basic integrated receiver decoders are 31 kilowatt
9 hours a year. This works out with a four-year
10 life and a .8 year payback.

11 And for the digital television adapter
12 it's a 28 kilowatt hour savings and a .3 year
13 payback.

14 MR. NADEL: This is Steve Nadel from
15 ACEEE. Just to add to what Leo was saying, in the
16 one-page handout he did there's two charts from a
17 forthcoming ACEEE study that are attached. You
18 have a copy on the dais or --

19 ASSOCIATE MEMBER ROSENFELD: No.

20 MR. NADEL: -- no, okay.

21 (Pause.)

22 ASSOCIATE MEMBER ROSENFELD: Jonathan
23 and I will share.

24 MR. NADEL: Being a believer in pictures
25 being worth many words, these two charts, which

1 I'll walk you through very briefly, illustrate how
2 important it is to get a handle on the energy use
3 of these products now. Because there's about to
4 be an explosion in their energy use related to the
5 conversion to digital television.

6 The first chart, figure 1, is projected
7 annual shipments of the different products. As
8 you can see, the digital converters are expected
9 to go through a very large jump as we come to the
10 digital conversion. And people with analog sets
11 who do not immediately buy digital sets will need
12 to get the converter to power these sets.

13 These particular estimates were
14 developed by ACEEE based on looking at a variety
15 of different projections in the -- by market
16 experts. We also had a lot of talks with people
17 in the industry who gave us, off-the-record, some
18 of their estimates. And we kind of averaged the
19 different estimates together. But an enormous
20 jump in 2006, 2007, 2008 in the number of these
21 boxes sold. It's going to be like a snake
22 swallowing a rat or something. It's going to be
23 this large lump that will kind of work its way
24 through the system.

25 Figure 2 deals with energy use trends

1 for these products. And it shows the very bottom
2 that the digital converter boxes will rise from
3 roughly zero energy use on up to more than 2
4 terawatt hours in the U.S. So, a significant
5 increase there.

6 The other big thing noticeable in figure
7 2 is how cable boxes will skyrocket in energy use
8 because the digital boxes tend to use a lot more
9 energy than the analog boxes that they'll be
10 replacing. And it's our view that by regulating
11 them we can help these digital boxes to be more
12 efficient and cut down the size of that increase.

13 So that's a couple of pictures to
14 reinforce why this proposal is particularly timely
15 now. If you wait five years the conversion will
16 have happened and it will be too late to impact
17 it.

18 MR. BLEES: I'm sorry, Mr. Nadel, why is
19 the -- I understand why the digital tv converter
20 use is going to go up very sharply after 2005
21 according to your estimates, because everybody's
22 going to rush out and buy one so they can continue
23 to have their legacy analog tv's work. But why
24 will the cable box use go up so dramatically, as
25 well?

1 MR. NADEL: The majority of cable boxes
2 today are analog cable boxes. As the digital
3 cable becomes much more available, people will
4 switch over to digital cable boxes. The average
5 digital box uses a lot more energy than the
6 average analog box.

7 MR. BLEES: Thank you.

8 MR. MYRICK: Wayne Myrick, Sharp
9 Electronics. Steve, do these figures take into
10 account that due to agreements between Consumer
11 Electronics Association and the cable association
12 that a lot of the functionality that is in the box
13 now will eventually be in the tv?

14 MR. NADEL: Yes, these projections do
15 incorporate that. There's a lot of differences of
16 opinion about how that will affect it, therefore
17 all the different estimates we got vary quite a
18 bit. So this is kind of a midpoint estimate.
19 Some people may say it will be more; some people
20 will say less because there is uncertainty.

21 Given the fact that the tv's will be
22 digital ready, although the basic tv, to the
23 extent there's extra functions that may require a
24 cable box, therefore how many cable boxes there
25 will be. So this is effectively a midpoint

1 estimate, if you will.

2 MR. MYRICK: All right, thank you.

3 MR. TRAVER: Just a comment. Cable
4 boxes are going up. And I'm familiar because I
5 was just helping with design on them. And there's
6 a real issue with the personal video recorder
7 being added in there right now.

8 And I just would like to know how did
9 you handle that in your power consumption?
10 Because that's something that basically records
11 24/7. How did you handle that?

12 MR. RAINER: We handled it by excluding
13 it.

14 MR. TRAVER: Oh, okay.

15 MR. RAINER: Because we realized that is
16 the most significant argument regulation of some
17 of these set top boxes is the added functionality.

18 MR. TRAVER: So this is just a basic
19 digital cable box --

20 MR. RAINER: Just basic digital cable
21 and satellite boxes, so if it has a hard disk or
22 if it has two-way communication it's excluded.
23 And that definition needs to be well worked out
24 with industry.

25 MR. TRAVER: Well, two-way

1 communications, no, because digital cable has two-
2 way communication. That's the only way it works.

3 MR. RAINER: That was designed for those
4 with that -- video on demand.

5 MR. TRAVER: Yeah. Just to tell you
6 quickly how the digital cable works, in the old
7 cable world when you change channels you had
8 channels on your tv or in your box at your home,
9 and you would say, okay, you're authorized. Even
10 in the current digital satellite, you have a smart
11 card and it says you're authorized for HBO, you're
12 authorized for channels.

13 So when you change, it's very quick.
14 The digital cable has decided to have what they
15 call a head-in system. It's like a phone central
16 system, so when you change channels, you get your
17 remote, it goes to the tv, it goes to the box.
18 And then it goes all the way back to the head-in
19 and says, Dave Traver is trying to change channels
20 from channel 3 to channel 4, is he authorized for
21 channel 4. And the answer is yes, the signal
22 comes back. That's why it's so slow, by the way.
23 But it is a two-way communication system. That's
24 just the way the system works. And it's,
25 unfortunately because of that design, it's also

1 very power hungry.

2 MR. MYRICK: Our industry representative
3 that would normally address these issues is also
4 in Paris for those meetings. And he would be in a
5 position to either question or verify a lot of the
6 numbers, especially market shares and things like
7 that. So I guess he'll have to address that when
8 he gets back.

9 But I had some questions on what exactly
10 is included in some of the categories. Compact
11 audio, would that include boom boxes?

12 MR. RAINER: No. I think boom boxes
13 would be portable audio.

14 MR. MYRICK: That's not part of the
15 proposal to regulate?

16 MR. RAINER: No. This is strictly
17 compact audio on mini or midi shelf systems that
18 have an internal power supply. So, if it has an
19 external power supply, or if it is what is known
20 as portable audio, which would be carry, or
21 separate MP3 CD players or boom boxes, that would
22 not be covered.

23 MR. MYRICK: Okay, thank you.
24 Television, would that include combination units,
25 DVD or VCR?

1 MR. RAINER: It would not include
2 televisions that have added functionality such as
3 VCRs, DVDs or (inaudible), it would be basic
4 television.

5 MR. MYRICK: Okay, and DVD, would that
6 include digital video recorders?

7 MR. RAINER: Yes, it would. It would be
8 all digital video players and recorders. But not
9 ones that had hard drives.

10 MR. MYRICK: Okay, because the --

11 ASSOCIATE MEMBER ROSENFELD: I can sort
12 of hear you, but I don't know if the people in the
13 back of the room can. I suggest you yell into the
14 mikes a little bit more.

15 MR. MYRICK: Might be sorry if I do
16 that.

17 MR. RAINER: I'm not sure how far back
18 you want to go.

19 (Laughter.)

20 ASSOCIATE MEMBER ROSENFELD: No, no,
21 just from now on.

22 MR. MYRICK: Okay, might the 3 watt
23 allowance that EnergyStar has for DVD that does
24 not take into account digital video recorders that
25 may have clock functionality built in, other

1 EnergyStar specs make an allowance for that clock
2 to be on all the time.

3 Televisions, what about EPG, electronic
4 program guide?

5 MR. RAINER: It would include tv's with
6 EPG.

7 MR. MYRICK: Okay, you might need an
8 allowance for that. Digital televisions with the
9 cable box functionality built into them will need
10 an allowance for a point of deployment module.

11 MR. RAINER: Again, tv's that have
12 either cable or satellite conversions, so plug and
13 play, they would not be covered.

14 MR. MYRICK: So eventually a lot of tv's
15 would not be included in this regulation?

16 MR. RAINER: Yeah. The intent of this
17 is to cover basic devices. What we understand is
18 to try to regulate the more advanced devices with
19 added functionality that no one quite knows what
20 they're going to be at would be a very difficult
21 thing to do at this point.

22 We would have to set such a high level
23 that it would effectively not be a standard.
24 Because things are being added at such a rate that
25 we decided to set it to the products that have

1 just basic functionality.

2 MR. MYRICK: All right. I really wonder
3 why the Commission has, you know, several years
4 ago the Commission looked at tv and decided that
5 it wasn't worth regulating. And at that time I
6 believe the average standby power was probably 7
7 or 8 watts.

8 Now most of your tv's do comply with
9 EnergyStar; they're down around 2, 3 watts. And
10 compliance with EnergyStar is very high. I
11 believe it's much higher than the tables show.

12 So I wonder why the Commission, at this
13 time, would consider regulating these products.

14 MR. RAINER: We just spent the last hour
15 or so arguing that we shouldn't regulate something
16 that hasn't had an EnergyStar yet, and that hasn't
17 had a time to meet the standard and become
18 accepted.

19 We're now talking about a product that
20 has had an EnergyStar level for over five years.
21 Has had the time for the market to differentiate.
22 And what we're talking about is setting a standard
23 to eliminate the lower end.

24 MR. NADEL: Just to address one or two
25 of the points here. The table 5 in the case study

1 says that for tv's the current market share for
2 EnergyStar is 58 percent. So, part of the reason
3 for the proposal is based on that.

4 If you do have data or someone else has
5 data indicating it's much higher, I would guess
6 that the Commission would be very interested in
7 that. If it is, you know, 90 percent-plus, as I
8 think some of the previous speakers seem to be
9 implying, that could very much affect whether the
10 standards are worthwhile or not.

11 MR. MYRICK: One reason it would be less
12 than 100 percent is because some tv's are excluded
13 because of the functionality they have in them.
14 But if you look at the spec for the televisions
15 for EnergyStar, EPG sets are excluded. So they're
16 not even eligible for the EnergyStar.

17 MR. TRAVER: Yeah. I question the
18 numbers in the report because, again if I look at
19 figure 2, summary of EnergyStar listed products,
20 it shows tv's something in the range of 1200 to
21 1300 models, from 1 to 3 watts. And, again,
22 that's almost 30 percent of the EnergyStar are
23 less than a watt.

24 VCR is high; combination, and even DVD
25 is coming out. And I think that's because of

1 market penetration.

2 I then go back to the table 5 that you
3 are talking about, and I think you have to look
4 at -- I'm kind of wondering, and you'll have to
5 help me here -- is this market penetration with an
6 existing base? Or are we talking, again, if you
7 go out today and try and buy a tv, a VCR, a DVD or
8 any one of these products, how many of those
9 products are EnergyStar related. And how many of
10 those fulfill great market share.

11 I think CEA will help, and I'll request
12 in my report to them that they provide some
13 figures in that area. But I would guess it would
14 be much higher than these numbers.

15 MR. FERNSTROM: Well, Dave, let me just
16 make a general comment for you and Wayne. I don't
17 think we disagree that the full featured, high end
18 products tend to be much more compliant with
19 EnergyStar than the others.

20 But there's a group of products out
21 there that are low cost, low end, have basic
22 features, and those are the ones that largely
23 don't comply. And those are the ones that we're
24 trying to target.

25 It would seem to me that this proposed

1 regulation would not be troublesome for the high
2 end, full featured products, because they largely
3 do comply.

4 So, just like Jonathan said earlier,
5 we're trying to get at the bottom end of the
6 market through regulation.

7 MR. TRAVER: If I take my CEA hat off
8 and put my Sony employee hat on, like I said 100
9 percent of the Sony products I know are; Panasonic
10 and the other large players, they already comply.

11 So, I don't know the players that don't
12 comply, but, you're right.

13 MR. NADEL: It sounds like it will be
14 useful to have a little bit more data. I believe
15 the data in table 5 are all tv's. As I think
16 Wayne pointed out, some tv's are excluded. To the
17 extent data could be collected, that would
18 indicate for the types of tv's that are covered by
19 these proposed regulations, what percent meet
20 them. That could be very useful.

21 Because we have a very large pie and we
22 can subdivide it to get a better idea on exactly
23 what the impact will be of this particular
24 proposed standard.

25 The other thing I wanted --

1 MR. BLEES: Excuse me, just a moment,
2 I'm sorry. Table 5 is where?

3 ASSOCIATE MEMBER ROSENFELD: I can't
4 find it, either.

5 MR. NADEL: Table 5 in the case study.

6 MR. BLEES: Oh, in the case study.

7 MR. NADEL: Right, that's where the
8 added details are.

9 ASSOCIATE MEMBER ROSENFELD: What page
10 number are you looking at, Steve?

11 MR. NADEL: In the case study, page 7.
12 This is the case study on consumer electronics.

13 ASSOCIATE MEMBER ROSENFELD: I missed
14 it, okay.

15 MR. RAINER: And just to clarify, this
16 is data from EnergyStar, but I'm not clear, we're
17 trying to figure out whether it is stock and
18 sales, or just stock or just sales. So that needs
19 to be cleared up.

20 MR. MYRICK: We'll do the best we can to
21 get the numbers. I think even the guys that work
22 at EPA, that handle EnergyStar, you know, for
23 bragging rights are going to say the numbers are
24 higher than that.

25 MR. NADEL: Okay. The one other point I

1 wanted to make is someone before referred to CEC
2 previously considering standards on tv's. To the
3 best of my knowledge that was not CEC. There was
4 a brief DOE rulemaking in the early 1990s that
5 considered tv's. And the whole rulemaking blew
6 up, I think it was a nine product rule or
7 something. And they ultimately decided to
8 concentrate on a few products at that point. But
9 that was probably eight, nine years ago now.

10 MR. MYRICK: Well, maybe Dave's memory
11 is better than mine. I know we were out here --

12 MR. TRAVER: No, I --

13 MR. MYRICK: -- fighting the same
14 battle.

15 MR. TRAVER: There was regulation. It
16 wasn't a standby regulation, it was a labeling
17 regulation in front of the CEC about two years
18 ago, three years ago.

19 MR. NADEL: Okay.

20 MR. BLEES: Mr. Martin, --

21 MR. TRAVER: It was a request to label
22 the power consumption, maybe even like the yellow
23 label of a water heater or -- it was that kind of
24 proposal.

25 MR. BLEES: Our institutional memory

1 can --

2 MR. TRAVER: Yeah.

3 MR. BLEES: -- resolve this one.

4 MR. MARTIN: I would like to go on
5 record with everyone of you --

6 (Laughter.)

7 MR. MARTIN: -- we did have a proposal
8 that was going to require certification to us of
9 the performance of certain televisions. And that
10 was a proposal that came up, and we did decide to
11 drop it. It became incredibly complicated.

12 And I have no recollection we were
13 asking for labeling, and we certainly weren't
14 asking for a standard. But Steve is right, there
15 was a federal proposal way before that, I think,
16 that didn't go anywhere, either.

17 MR. MYRICK: I guess the only other
18 comment I would have is if you do consider
19 regulation on basically set top box, that would
20 also need allowances for certain features like a
21 POD, point of deployment module.

22 And the set top box definition right now
23 is up in the air. That's part of what's being
24 discussed in Paris. It's been our negotiations
25 with EPA for their EnergyStar program the last

1 about eight months.

2 So that might be one category where you
3 really need to hold off until the definitions are
4 set.

5 MR. FERNSTROM: Wayne, what is POD,
6 again?

7 MR. MYRICK: It's point of deployment
8 module. It actually handles the conditional
9 access for cable.

10 MR. HOROWITZ: I just want to add my
11 support to Leo's suggestion to include the digital
12 converters. As the world moves towards digital
13 tv's and people -- the regular legacy tv's, as you
14 call them, there's going to be a mushrooming,
15 there's going to be a huge demand for these
16 things.

17 And the CEC can do a great benefit, not
18 only for California, but for the nation, by
19 putting on paper here's where we think the target
20 should be. So those manufacturers know ahead of
21 time this is what we're looking for.

22 Thank you.

23 MR. NADEL: And I would add, I believe
24 the CEC is very closely monitoring what is going
25 on internationally, that Commissioner Rosenfeld's

1 Adviser is at the meetings now, and I assume that
2 he'll come back and report to staff. And to the
3 extent any modifications need to be made, based on
4 what was discussed, I would certainly encourage
5 that those be made to keep whatever California
6 does fully in coordination with international
7 efforts.

8 MR. MYRICK: Yeah, it was inconvenient
9 that both these meetings were called at the same
10 time.

11 One more comment. Dave has indicated
12 that, you know, within Sony they have a policy to
13 comply 100 percent. Well, Sharp is the same way.
14 Wherever there is an EnergyStar program we try to
15 insure that 100 percent of our products comply.

16 And, in fact, that is where we've run into a
17 problem with EnergyStar, is that our compliance
18 gets so high, you know, the industry compliance
19 becomes so high that they decide, you know,
20 there's too many products that comply, they got to
21 ratchet the numbers down a little bit to get back
22 to the 25 percent.

23 (Laughter.)

24 MR. MYRICK: And I believe we've gone
25 through that cycle three times with tv's now.

1 So, --

2 MR. TRAVER: That's where you get the
3 tier effect.

4 Just a comment. I'm very encouraged
5 that we don't have the burdensome reporting
6 requirements that were proposed a year ago. So,
7 thank you for that. I think again if it becomes a
8 requirement, you know, killing ourselves with
9 paperwork is a bad idea. Because it makes a good
10 idea a bad idea. So I appreciate the Commission's
11 Staff proposal in that area.

12 The other question I would have on this
13 area is why not an executive order, as the federal
14 government, requiring, you know, again, one of the
15 largest employers of the state I believe is the
16 state government. The federal government has
17 taken the approach of an executive order requiring
18 that if any purchase order occurred, and an
19 EnergyStar product is available, you must use it.

20 So, just a thought or a proposal. Thank
21 you.

22 MR. FERNSTROM: That's a good proposal,
23 Dave. We are pursuing a program to try and work
24 toward asking government and institutional
25 customers to specify EnergyStar products where

1 they're available.

2 MR. MYRICK: I did have a question as it
3 would affect some of these products that may use
4 an external power supply. How does the Commission
5 intend to enforce the energy levels of an external
6 power supply that's packed, say, in an audio
7 product?

8 Are we going to have to mark something
9 on the box that indicates that it has a power
10 supply with a certain efficiency? Or, you know,
11 less than a certain amount of standby power?

12 MR. MARTIN: We need standards for
13 microphones, here, too.

14 (Laughter.)

15 ASSOCIATE MEMBER ROSENFELD: We need
16 standards for Martins.

17 (Laughter.)

18 MR. MARTIN: We are not proposing any
19 labeling requirement. And the present thinking on
20 this subject is that we would have people, a
21 contractor who would do spot checks and see
22 whether what the compliance is like on this one.

23 We're not asking for certification,
24 either, because it's burdensome on industry, but
25 it's also burdensome on us trying to keep track of

1 these incredible numbers of model numbers. And
2 not too meaningful to the readers.

3 So, we would -- that's the current plan.
4 We do have a contract doing just that on some of
5 the products at the present time. And we would
6 indicate whether there was widespread problems.
7 And usually when we write to manufacturers
8 reminding them of what they ought to be doing,
9 they are pretty cooperative about it.

10 MR. MYRICK: So the Commission would
11 actually do testing on products they pick up from
12 the field?

13 MR. MARTIN: Conceivably, yes. We don't
14 have a contract that would include that at the
15 moment, because, of course, we don't have a
16 standard at the moment.

17 MR. MYRICK: It's burdensome on us, as a
18 manufacturer, also because we purchase most of our
19 power supplies from another company. So we have
20 to verify that they do, in fact, comply,
21 regardless of what they say.

22 MR. MARTIN: Right.

23 MR. MYRICK: So, you know, it involves
24 testing on our part, also.

25 MR. MARTIN: Well, I recognize you do

1 that, but you wouldn't have to do that to satisfy
2 the Commission. You have to satisfy other folks.

3 MR. MYRICK: We do it to satisfy
4 ourselves that we comply with --

5 MR. MARTIN: Yes.

6 MR. MYRICK: -- what would be the law in
7 California.

8 MR. MARTIN: And presumably satisfy EPA
9 on meeting EnergyStar requirements.

10 MR. MYRICK: If the levels are
11 different, then we might have to do two sets of
12 tests.

13 MR. CALWELL: Maybe I can help with
14 this. EPA is gearing up to address this same
15 issue. And a few suggestions have been proposed.
16 They've been in discussions with UL, which already
17 has to perform safety testing for the products.
18 And if UL were to follow the model employed in
19 China, safety testing and efficiency testing would
20 occur in the same lab at the same time.

21 Alternately the test procedure specifies
22 ways for manufacturers to measure power supply
23 efficiency with existing equipment already in
24 their laboratories. And our technician in our
25 lab, who is a recent college graduate, completes a

1 power supply test according to the procedure in
2 less than an hour.

3 So, I think -- you know, at his billing
4 rate and the equipment costs and so forth, this is
5 one of the less expensive procedures to conduct.

6 MR. RAINER: One further clarification.
7 Regarding table 5, which there's been some
8 controversy. This is the percentage of product
9 meeting EnergyStar. Those are percent of sales,
10 according to our data, which we obtained from LBL,
11 which was done for EnergyStar.

12 But I would like to see any other data
13 on what the current sales of -- what manufacturers
14 estimate are current sales in terms of numbers of
15 product, rather than number of products.

16 MR. MYRICK: We'll try to get those
17 numbers.

18 MR. NADEL: We ready to come clean,
19 shall we say?

20 MR. MARTIN: Yeah, actually. Is this
21 the time to sum up what we've decided today?

22 ASSOCIATE MEMBER ROSENFELD: I guess so.

23 MR. MARTIN: Okay. We are having a
24 staff meeting on Wednesday to decide exactly what
25 we're going to be doing next. But the present

1 thinking is that we want to keep in close touch
2 with anybody who has signed in yesterday or today
3 or has been part of the discussion yesterday and
4 today.

5 In some cases there's quite a bit of
6 information that we need to get agreed upon, and
7 we were planning to have some conference calls and
8 email exchanges. But we are committed to keeping
9 in touch with you folks.

10 I would like to, at Wednesday's meeting,
11 to pick out a tentative date, at least, for the
12 next meeting, so we can give you more advance
13 notice that you can put on your calendars.

14 ASSOCIATE MEMBER ROSENFELD: By the next
15 meeting you mean a second workshop?

16 MR. MARTIN: Yes, sir. I think we need
17 to talk amongst ourselves and staff before we can
18 actually come up with a schedule at this time.

19 The transcript of this meeting will be
20 put on the website, as will the written comments
21 that we have received thus far, in addition to the
22 ones I listed yesterday. We got some related to
23 vending machines from a gentleman who is very much
24 interested but wasn't able to be with us this
25 weekend. Those we will put on the website, also.

1 The case studies are already on the
2 website. And if we get revisions to those, we
3 would put those on, also.

4 We welcome communications from any one
5 of you at anytime. And we thank you all for
6 coming.

7 MR. MORRIS: Michael, I have a couple
8 questions, if I could, --

9 MR. MARTIN: Yes, sir.

10 MR. MORRIS: -- before we close out.
11 This is Wayne Morris. First of all I wanted to
12 ask, I got an email this morning. Did you receive
13 a letter from NEMA about lighting?

14 MR. MARTIN: Yes, sir.

15 MR. MORRIS: Okay, good, I just wanted
16 to make sure --

17 MR. MARTIN: And we had copies of that
18 available yesterday and --

19 MR. MORRIS: Okay, good.

20 MR. MARTIN: -- we will make sure that
21 those get up on the website.

22 MR. MORRIS: Okay, thank you. A couple
23 of other things I wanted to ask. Could I ask a
24 question in this proposed regulation, the
25 preliminary working draft, page 42 on there.

1 MR. MARTIN: Okay.

2 MR. MORRIS: Could you explain why it is
3 that these various situations have been crossed
4 out or deleted?

5 MR. MARTIN: Yes, this particular one
6 refers to a provision that applies until January
7 1st of 2003. And is now obsolete.

8 MR. MORRIS: If I could, I'm having
9 difficulty understanding. We've been continuing
10 to work with the California Energy Commission in
11 supplying data on the certification, energy
12 efficiency certification of room air conditioners
13 right along. I mean --

14 MR. MARTIN: Um-hum.

15 MR. MORRIS: -- even as of, I think,
16 just a couple weeks ago we supplied additional
17 information on that.

18 MR. MARTIN: Yeah.

19 MR. MORRIS: And this seems to indicate
20 that the data submission is not welcomed and --

21 MR. MARTIN: No, there is a term that's
22 defined as an approved industry certification
23 program. And which needs to be approved by the
24 Executive Secretary, Executive Director I should
25 say. And to my knowledge, nobody's applied for

1 approval in that classification.

2 MR. BLEES: Mr. Morris, --

3 MR. MORRIS: Yes, Jon.

4 MR. BLEES: -- as Mr. Martin just
5 indicated, the regulations give certain privileges
6 or rights in testing and reporting to entities
7 that qualify as approved industry certification
8 programs.

9 The regulations have a process whereby
10 an entity can gain from the Executive Director
11 such a designation.

12 What the crossed-out language says is
13 until January 1, 2003, you don't have to -- these
14 listed entities don't even have to ask the
15 Executive Director. We wanted to be able to get
16 the testing and reporting underway quickly.

17 But now that the regulations have been
18 in effect for awhile, there's really no burden or
19 problem with any of these entities or anybody else
20 asking for that designation from the Executive
21 Director.

22 MR. MORRIS: Okay.

23 MR. BLEES: That's all it reads.

24 MR. MORRIS: Great, okay, thank you.

25 MR. BLEES: Data submittal is always

1 very welcome.

2 MR. MORRIS: Thank you. I've got a
3 couple of questions in some other product that we
4 didn't discuss today, but are included in the
5 proposed working draft.

6 One is the issue of residential clothes
7 dryers. This, to our knowledge, is a NAECA
8 covered product under the federal preemption
9 guidelines, and we're concerned as to why CEC
10 would be proposing new requirements, when in fact
11 I recognize that you all have the ability to do
12 this, but if we're saving energy, I would hope
13 that that's saving staff energy, as well.

14 And I don't understand why we would
15 consider to spend a lot of time with proposing
16 this kind of situation and having it out there if
17 we don't need to.

18 ASSOCIATE MEMBER ROSENFELD: Where are
19 you actually? Which document are you looking at,
20 and which page? Just trying to keep up with you.

21 MR. MORRIS: The original staff proposal
22 has proposed regulations on page 94 with some
23 changes in clothes dryers. And I believe there's
24 also some changes back under the reporting
25 requirements, if I remember right.

1 MR. BLEES: Page 94 is just a listing of
2 the federal standard.

3 MR. MORRIS: Um-hum, okay.

4 MR. BLEES: I don't see any changes.

5 MR. MORRIS: Okay. And what about --

6 MR. BLEES: Mr. Morris, everything in
7 section 1605.1 is simply a listing of the federal
8 standards. We've included them in the California
9 regulations basically sort of as a reader-friendly
10 provision, you know, so that you've got all of the
11 appliance standards in one document.

12 MR. MARTIN: My copy of page 94 does not
13 show any underline or strike-out for clothes
14 dryers.

15 MR. BLEES: Yeah, same here.

16 MR. MORRIS: Okay. And is that again
17 the case with page 148 under the -- I notice that
18 there's underlining there, but it looks like it's
19 just been moved from one section to another. Is
20 that, in fact, what happened?

21 MR. MARTIN: 148.

22 MR. MORRIS: Yeah, it's under the
23 reporting requirements.

24 MR. MARTIN: We need to look into that.

25 MR. MORRIS: I couldn't tell whether

1 this was just a change in numbering, or whether
2 this is -- all of those items are underlined.

3 MR. MARTIN: They are underlined. Has
4 there been a change in the federal standard.

5 MR. MORRIS: Not on clothes dryers.

6 MR. BLEES: Well, if you look at -- I
7 have a feeling maybe this is just a computer --

8 MR. MARTIN: I think this is an error.

9 MR. BLEES: Yeah, if you look at page
10 150 at the top, the exact same box, q is struck
11 out. I have a feeling maybe it was an
12 inadvertent, you know, cut and paste or something,
13 while somebody was -- but we'll look into it. No
14 changes are intended.

15 MR. MARTIN: There's no changes. I
16 think what happened here is this table is a
17 challenge in getting the pages right. We still
18 haven't got them right. And they moved from the
19 top of one page to the bottom of another. And the
20 computer's not clever enough to know that that's
21 not a change.

22 MR. MORRIS: I thought that that might
23 have been the case, that you might have inserted
24 one item somewhere before, and it changed the
25 numbering or lettering, I guess you would call it.

1 And then that automatically just underlined
2 everything.

3 MR. MARTIN: Yes.

4 MR. MORRIS: So I just wanted to make
5 sure of that. And --

6 MR. MARTIN: We clearly need to check
7 these very carefully and we plan to do that.

8 MR. MORRIS: And --

9 MR. BLEES: Would you like to join our
10 next proofreading session here? You've very good
11 at this.

12 (Laughter.)

13 MR. MORRIS: Well, we do have to ask the
14 questions.

15 MR. MARTIN: You already have joined it.

16 MR. MORRIS: I guess so.

17 (Laughter.)

18 MR. MORRIS: And then obviously there's
19 changes that are proposed, I believe, on
20 section -- well, page 102 on residential clothes
21 washers. I would be remiss if I didn't state that
22 we believe that that's a covered product. And I
23 probably don't need to say any more.

24 Thank you.

25 MR. MARTIN: Okay.

1 ASSOCIATE MEMBER ROSENFELD: Okay? Any
2 other closing questions? Michael, shall we quit?

3 MR. MARTIN: Yes. Now, we do also have
4 this petition related to clothes washers which we
5 need to take up.

6 ASSOCIATE MEMBER ROSENFELD: Okay.

7 MR. MARTIN: But I would request a break
8 before that.

9 ASSOCIATE MEMBER ROSENFELD: Ten
10 minutes?

11 MR. MARTIN: Five would do me.

12 ASSOCIATE MEMBER ROSENFELD: Five
13 minutes. Good.

14 (Brief recess.)

15 ASSOCIATE MEMBER ROSENFELD: Okay,
16 Michael.

17 MR. MARTIN: Okay, this item concerns a
18 petition. It is described in the staff report.
19 And we summarized it; it's in the handout, item
20 number 32 in the handout that you picked up
21 yesterday.

22 In February 2002 the Commission adopted
23 standards for commercial clothes washers. The
24 standards consist of an energy factor standard
25 that takes effect January 1, 2005. And a water

1 factor standard that takes effect on January 1,
2 2007.

3 On February 6, 2004, Governmental
4 Advocates, Incorporated, on behalf of the
5 Commercial Multihousing Laundry Association, CMLA,
6 filed a petition to repeal these regulations.

7 In the petition CMLA made the following
8 four assertions: One was standards are not
9 technically feasible. Two, the standards will
10 lead to an increase in cost to consumers in
11 master-metered multi-unit dwellings, such as
12 apartment houses and dormitories.

13 Three, the standards will disadvantage
14 California-based retailers of commercial washers
15 to the benefit of out-of-state retailers of
16 commercial clothes washers. And, four, appliance
17 manufacturers have yet to build an effective
18 commercial topload washer or an economic and
19 viable frontload washer that meets the energy
20 factor standard.

21 Staff recommends that the Commission
22 make no change to the standards for the following
23 reasons, which are expressed in the handout.

24 Firstly, we indicate the standards are
25 technically feasible. Second, that the standards

1 are --

2 ASSOCIATE MEMBER ROSENFELD: Michael,
3 I'm sorry to be confused, but where is the
4 handout? I followed along on page 31 --

5 MR. MARTIN: This is the one that we've
6 been using. It looks like this.

7 ASSOCIATE MEMBER ROSENFELD: Oh, I'm
8 sorry, I just didn't turn the page. Thank you.
9 Sorry, go ahead.

10 MR. MARTIN: We have put some detailed
11 responses on here, but I won't go through them
12 now. They are in the staff report; they're in the
13 record.

14 The responses that we show is first the
15 standards are technically feasible. Secondly,
16 that they are cost effective in master-metered
17 multi-unit dwellings for the reasons we show.

18 Third, the standards will not
19 disadvantage California retailers to any
20 significant degree. Four, there are effective
21 topload washers and economically viable frontload
22 washers that meet the energy factor standard.

23 And number five, to change the energy
24 factor standard so close to the effective date
25 would be unfair to the manufacturers that have

1 been preparing to meet the standards. The energy
2 factor standard takes effect on January 1, 2005.
3 To change the standard at this late date would
4 punish the manufacturers that have been preparing
5 to meet the standards or redesigning products and
6 investing in new production equipment, which often
7 involves considerable expense, while rewarding
8 those who have delayed. That result would be bad
9 public policy.

10 And the petitioners are here today, and
11 they have a handout that I left a copy for you
12 during the break. And we have more copies here, I
13 think. So I suggest we hear from the petitioners.

14 MR. GOVENAR: Scott Govenar with
15 Governmental Advocates on behalf of California
16 Multihousing Laundry Association. I also have
17 with me Ron Feinstein with All Valley Washer
18 Services. We would like to respond to the
19 comments made by staff in response to our
20 petition.

21 First and foremost, there's reliance on
22 a consortium report which lists 187 compliant
23 models. Of the 187 Alliance Systems, which
24 distributes Speed Queen, Heubsch and UniMac has
25 156 of those models. Of the 156, 72 have been

1 discontinued.

2 Of the remaining models, what consortium
3 did was they listed a single model that had two
4 different payment options, for example, as two
5 different models. We don't consider that two
6 different models. That would be akin to a car
7 manufacturer saying a Honda Civic, there are 100
8 versions, based on the number of options you can
9 get.

10 Really, of the remaining models there
11 are two frontloaders and one toploader that meet
12 the CEC's standards. Of the remaining models
13 there are, in fact, actually a grand total of 13
14 that meet the standards, which is a far cry from
15 the 187.

16 So there is not an abundance of machines
17 available, so there is no downward pricing issue
18 because the market is not being flooded.
19 Manufacturers have not built an abundance of
20 machines. That's the first point.

21 I guess the second point, which Ron will
22 discuss, are the economics of how it works with
23 apartment owners.

24 MR. FEINSTEIN: Good morning; my name is
25 Ron Feinstein. I am President and Owner of All

1 Valley Washer Service. Also President of the
2 California Multihousing Laundry Association.

3 In our industry typically a washer and
4 dryer installed in a six-unit apartment building
5 is generally a remanufactured machine. And prior
6 to installing that equipment we, in many cases,
7 offer a upfront advance commission to the owner,
8 plus generally a 50 percent commission split with
9 him on a monthly basis.

10 Presently in the California market the
11 average -- I shouldn't say the average, in my
12 company we're averaging about \$1 a wash and 75-
13 cent dry. The average, figured on a per --

14 ASSOCIATE MEMBER ROSENFELD: I'm sorry,
15 the \$1 a wash is the total cost of the wash, not
16 your profit?

17 MR. FEINSTEIN: That's correct, that's
18 the --

19 ASSOCIATE MEMBER ROSENFELD: That 's
20 just the revenue?

21 MR. FEINSTEIN: -- that's what we vend
22 the machine at for the consumer to use the
23 equipment.

24 With that in mind, we anticipate about a
25 \$12.50 per apartment unit average income per month

1 on a six-unit building. Or generally any
2 apartment unit with a family. If it's a senior
3 project, that typically can go down as low as
4 about \$5 to \$6 per apartment unit per month.

5 MR. BLEES: Excuse me, sir. Is there a
6 written document that we can follow along that has
7 these numbers?

8 MR. FEINSTEIN: No, I didn't prepare
9 one. I'll be happy to prepare one.

10 MR. BLEES: Please do.

11 MR. FEINSTEIN: What we do is on those
12 monthly collections that are made, we mail a
13 commission check to the owner to help cover his
14 additional costs of utility consumption.

15 If, in fact, we were required to install
16 a frontloader washer, which is the cost is
17 approximately -- we buy them in quantity of
18 anywhere from \$1000 to \$1100 per machine, to
19 install it in a building of six or seven or ten
20 units. Those costs will increase very
21 significantly to the end consumer in order to try
22 to recapture some of the additional costs of the
23 equipment that's required by California.

24 MR. FERNSTROM: Well, pardon me, Ron,
25 but I thought you just --

1 ASSOCIATE MEMBER ROSENFELD: Say who you
2 are, please.

3 MR. FERNSTROM: Gary Fernstrom from
4 PG&E. I thought you just said earlier that these
5 units in small apartment buildings like six units
6 were typically remanufactured. And now you're
7 telling us that the cost is \$1200.

8 MR. FEINSTEIN: I said that if we were
9 required to install the frontload washer that
10 would be required by --

11 MR. FERNSTROM: Thank you, I understand.

12 MR. FEINSTEIN: As we -- in the southern
13 California market area most, on the average most
14 of the units that we service are ten units and
15 under. We do have larger complexes, but on the
16 average most of the units are of the smaller
17 units.

18 And we are targeting our -- in the
19 apartment business, needless to say, most of those
20 individuals who live in the apartments are folks
21 who cannot afford to buy a home and have no other
22 choice but to live in the apartments. So we, to
23 some degree, have a captured audience of having
24 them using our laundry room unless we're competing
25 with a local laundromat that's next door or across

1 the street or down the block from the apartment
2 laundry room.

3 MR. GOVENAR: We have included the
4 projected increase in the cost per load in this
5 document. One thing --

6 ASSOCIATE MEMBER ROSENFELD: Little
7 louder.

8 MR. GOVENAR: We have included the
9 projected cost increase on the end consumer in our
10 document.

11 One thing I want to point out and I
12 think it was, at least for our contention was
13 always fundamentally flawed was the assertion
14 that, you know, we would recoup. Well, the
15 building owner would recoup on the energy savings.
16 There is no guarantee, there is no mandate that
17 that savings would go back to us.

18 So, we would pay more; the end user
19 would pay more; and the building owner would make
20 out just fine. And that is the problem. That's
21 where we think this regulation actually runs afoul
22 of the law. I think it's Public Resources Code
23 25402(c)(1).

24 And that's our contention.

25 MR. BLEES: No, no, no, I mean, look,

1 if -- I understand the problem that you have,
2 which is that you're paying for the machines and
3 the building owner, you're assuming, is paying the
4 utility bills and gets the benefit of the
5 increased efficiency of the machine. Or, if the
6 tenant is paying the utility bills, he or she gets
7 the benefit. Right?

8 MR. GOVENAR: Correct.

9 MR. BLEES: But those folks are the
10 consumers, so if they're making out like bandits
11 the standard is extraordinarily cost effective for
12 them. I mean --

13 MR. GOVENAR: If they own the machines.
14 If the building owns the machines. But if we own
15 the machines, we're not. And I mean the consumer,
16 I think, is the end user.

17 MR. BLEES: Why don't you just decrease
18 the commission that you pay to the building owner?

19 MR. FEINSTEIN: That just doesn't happen
20 as much as industry, there are a couple major
21 laundry companies that are national companies that
22 buy the equipment a little bit less than what the
23 smaller companies can purchase them for.

24 And by doing that they will totally
25 monopolize the market. And the smaller route

1 operators won't have any choice but to come in
2 with much higher pricing to the consumer.

3 And also the larger companies will just
4 come in and be able to still offer the apartment
5 owner the same advanced commission and monthly
6 commission that he or she is now receiving without
7 jeopardizing that relationship. And it will
8 immediately take the smaller companies out of the
9 marketplace.

10 MR. BLEES: I'm sorry, I don't
11 understand. If the laundry route operator has
12 increased costs as a result of purchasing machines
13 that comply with the standard, everybody will face
14 those costs, whether it's the larger operators or
15 the smaller operators.

16 MR. FEINSTEIN: Correct.

17 MR. BLEES: Why is the solution to this
18 problem for both the small operators and the large
19 operators not simply they pass along their costs
20 through reducing the commission that they pay to
21 the building owner?

22 MR. FEINSTEIN: The apartment owner
23 always comes back to the laundry company and says,
24 increase the rates of the machine. You're not
25 going to cut my commissions or my advance

1 commission. What I want you to do is to increase
2 the cost of the wash and the dry to my tenants.
3 Whether they use the machines or not, I don't
4 care. I'm only interested in covering my costs,
5 getting as much as I can for my laundry contract.

6 MR. BLEES: Well, if all the operators
7 are in the same boat, however, you've got some
8 economic clout here.

9 MR. FEINSTEIN: Well, we really don't,
10 because as I mentioned earlier there are two major
11 companies, international companies, --

12 MR. BLEES: And, I'm sorry, what kind of
13 companies -- these are laundry route operators?

14 MR. FEINSTEIN: They are laundry
15 companies, as well, the same business that I'm in.

16 MR. BLEES: Okay.

17 MR. FEINSTEIN: What they do is they
18 have national contracts with the manufacturers
19 that they can purchase the equipment for a couple
20 hundred dollars per machine less than what the
21 average laundry company can purchase the equipment
22 for.

23 So they, with that in mind, they still
24 have the upper edge on the buying power, and be
25 able to still maintain the same commission

1 structures with the owners.

2 MR. BLEES: But that doesn't make sense.

3 What you say may well be true, but, you know, if
4 Behemoth laundry operator company is buying its
5 machines for \$900, and you have to pay \$1000 --

6 ASSOCIATE MEMBER ROSENFELD: Well,
7 actually --

8 MR. BLEES: Yeah, okay, --

9 ASSOCIATE MEMBER ROSENFELD: -- what did
10 you say the price difference is? \$100? Just to
11 get it straight.

12 MR. BLEES: Yeah, what's the price
13 difference? How much cheaper does Behemoth buy a
14 machine for than you can buy it for?

15 MR. FEINSTEIN: Depending on the brand,
16 but it can be as much as \$200.

17 MR. BLEES: Okay, \$800 and \$1000, okay?

18 MR. FEINSTEIN: Right.

19 MR. BLEES: Now, as a result of the
20 standards the price is going to go up how much?
21 You tell me.

22 MR. FEINSTEIN: The standards to --

23 MR. BLEES: No, the Energy Commission
24 standards that you want repealed. How much is the
25 price going to go up?

1 MR. GOVENAR: The annual operating
2 costs?

3 ASSOCIATE MEMBER ROSENFELD: No, --

4 MR. BLEES: No.

5 ASSOCIATE MEMBER ROSENFELD: -- the
6 first costs.

7 MR. GOVENAR: \$650 for a current
8 noncompliant versus \$1000, \$1100, give or take.

9 MR. BLEES: Okay, \$350, for the sake of
10 argument. Okay, so Behemoth is going to have to
11 pay \$1150, that's \$800 plus \$350; and you're going
12 to have to pay \$1350. The standard, the increased
13 cost as a result of the standard isn't causing
14 your problem. Your problem is being caused by
15 Behemoth being able to buy the machines more
16 cheaply. I don't get it.

17 MR. FEINSTEIN: Well, there's also
18 another issue, that those standards that the
19 national companies can purchase their equipment
20 out of state and bring that equipment in, where
21 the smaller companies can't do that. They don't
22 have that opportunity to purchase equipment,
23 whether it be in Oregon or Nevada or Arizona or
24 Iowa.

25 MR. BLEES: But, wait a second, you're

1 counsel here is arguing that the standards will
2 disadvantage California retailers. But --

3 MR. FEINSTEIN: That's what he's saying,
4 yes.

5 MR. BLEES: It's the big guys. I see.

6 MR. FEINSTEIN: We would be able to go
7 out-of-state purchase where the national companies
8 can go out and they can still purchase topload
9 washers that are noncompliant and bring them into
10 the state. But we can't, with the equipment being
11 shipped from the manufacturers, like for example
12 my company, they won't ship them because they're
13 not in compliance.

14 But there's nothing to stop the national
15 companies from coming in from out of state and
16 bringing the equipment that they've purchased
17 elsewhere.

18 MR. BLEES: And you can't do that
19 because?

20 MR. FEINSTEIN: I can't do it because I
21 don't have an out-of-state office. And there's
22 only two companies that are national companies
23 that can go out of state, go to any state that
24 they want to purchase the equipment.

25 ASSOCIATE MEMBER ROSENFELD: Let me see

1 if I can just get the wording straight. I'm
2 looking at page 32 on today's program, which was
3 the five points that Michael Martin just
4 summarized for us.

5 There are five points on the page. And
6 I certainly haven't thought about this very much,
7 but .3 says in italics, "the standards will not
8 disadvantage California retailers to any
9 significant degree. Because the standards apply
10 to the sale or offering for sale of appliances in
11 California, even an out-of-state retailer is
12 prohibited from selling a nonconforming model to a
13 buyer in California."

14 Now, that seems to be in contradiction
15 with what you're saying, Ron.

16 MR. FEINSTEIN: The problem is that the
17 other companies, the national companies have
18 offices in other states. And they can purchase
19 the equipment for their offices in those states
20 and ship that equipment to California.

21 MR. MORRIS: This is Wayne Morris. I
22 think, from what I understand of this business,
23 Ron is right. This situation is that
24 unfortunately under the present law I don't
25 believe you all have the authority to actually

1 enforce this situation on a basis of a company
2 outside of the State of California.

3 And therefore, if the transaction occurs
4 outside of the State of California, you don't have
5 authority or jurisdiction for enforcement. And so
6 consequently, the company can, in fact, complete
7 the transaction in Nevada or wherever they want
8 to, and then have the equipment actually be drop-
9 shipped into California.

10 So, even though the transaction occurs
11 outside, they're fully able to buy noncompliant
12 product with those regulations, and then ship it
13 in.

14 That does two things. One, that allows
15 the large national operator to create a difference
16 in the cost situation. But more importantly, to
17 the citizens of California, it means that they're
18 not getting the energy savings that, in fact, you
19 want them to get by this regulation.

20 That's the way I understand this.

21 MR. BLEES: Do you have any evidence
22 this is happening with any of the other appliances
23 that California regulates?

24 MR. MORRIS: To my knowledge, no. This
25 is one of the few situations, because you're

1 dealing with the commercial situation here, that
2 is on a route situation, and it's placed in
3 apartment dwellings as opposed to residential.

4 MR. BLEES: Wait a second. If there's
5 an incentive to buy noncomplying appliances out of
6 state, wouldn't that incentive apply to every
7 single appliance for which there is a California
8 standard?

9 MR. MORRIS: Well, I guess I can't speak
10 in terms of household appliances because in most
11 cases we have federal preemption. The federal
12 preemption governs a federal standard which takes
13 effect over the State of California's standards.
14 So if you want to talk about, for instance,
15 lighting or something like that, I can't speak to
16 that.

17 MR. MARTIN: There are, of course, some
18 appliances for which there are --

19 ASSOCIATE MEMBER ROSENFELD: Mike, is
20 your mike on?

21 MR. MARTIN: Yes, it is.

22 ASSOCIATE MEMBER ROSENFELD: Go ahead.

23 MR. MARTIN: It's a different error this
24 time.

25 There are certainly some appliances for

1 which there are building standards forbid you from
2 installing them. And so that would not apply for
3 those, but for a great number of appliances what
4 you say is correct.

5 MR. FEINSTEIN: I mean I guess if you
6 were bringing in a product, a refrigerator for
7 example, a single refrigerator; or if it was a
8 retailer purchasing, you know, 100 refrigerators,
9 they could pass that cost directly on to the
10 consumers at point of sale. Where a single
11 refrigerator certainly wouldn't make sense.

12 But if you're buying 100 washing
13 machines, that's a different story.

14 ASSOCIATE MEMBER ROSENFELD: Well, I'm
15 asking Jonathan and Mike Martin, it sounds like
16 the problem here is that you're questioning
17 whether we have the power to permit -- to forbid
18 installation of a noncompliant machine.

19 MR. MORRIS: Well, actually no,
20 Commissioner. I guess I'm objecting to the five
21 points that the staff really raised this morning.
22 At least several of them.

23 Point number two says that staff
24 believes that it's economically feasible. And I
25 think that what Ron and Scott are both implying to

1 you is that the calculations that have been done
2 are based on an assumption that the pass-through
3 of the energy savings occurs to the consumer. And
4 in many cases, what they're saying, is it
5 doesn't. So I think that appears to be
6 wrong.

7 The second thing, let -- okay.

8 ASSOCIATE MEMBER ROSENFELD: Well, hold
9 on. Society does gain, and there is a problem of
10 how the loot is apportioned between the greedy
11 building owner who won't change his contract.

12 MR. MORRIS: Well, ultimately --

13 ASSOCIATE MEMBER ROSENFELD: But you're
14 not questioning the basic figures?

15 MR. MORRIS: -- ultimately that
16 information does impact the economic analysis.
17 And I think it needs to be rerun looking at that
18 situation, from what I'm understanding.

19 Second is that the third point says that
20 staff doesn't believe that there's a disadvantage
21 to California retailers. But, in fact, we've
22 heard testimony that there is.

23 ASSOCIATE MEMBER ROSENFELD: Unless we
24 can solve the installation issue, which I was
25 asking about.

1 MR. MORRIS: Four says that staff
2 believes there are significant number of
3 toploading washers that meet the standard. We
4 disagree with that. Representing the
5 manufacturers of these machines we find that the
6 number of models that meet these are extremely
7 few.

8 And, in fact, in many cases don't apply
9 to models that are currently available for use and
10 meet the kind of performance requirements that a
11 commercial laundry facility really needs.

12 And the fifth point, which Mr. Martin
13 and staff have stated, is that they believe that
14 such a change would be unfair to equipment
15 manufacturers who have invested in trying to meet
16 the standard. Representing those companies, I can
17 tell you that I'm here today because we don't
18 believe that that, in fact, is the case.

19 The manufacturers do not want to have
20 the standard. They do not feel it is unfair to
21 change at this, quote, "late date." And
22 therefore, we disagree with that particular staff
23 argument.

24 I mean I represent the manufacturers of
25 these laundry products and they certainly are in

1 favor of the petition that has been put before
2 you. So, I guess there's several of the arguments
3 that staff is making that we would seriously
4 question. Thank you.

5 I would also want to mention one other
6 thing, and that is we think that having looked at
7 this situation that the economic situation that's
8 in play here can force, in some cases, the new
9 construction multifamily builder to decide to put
10 more residential machines into each of the units,
11 rather than a commercial laundry room facility.

12 That may be great for washing machine
13 manufacturers, and we certainly might applaud that
14 situation. But we think it's bad economy for the
15 State of California.

16 First of all it means that those
17 products don't meet the California requirements
18 which you're setting in the standard, because the
19 federal law does preempt those as being
20 residential equipment. And secondly, we believe
21 that it can resolve, in many cases, in people
22 doing smaller more frequent loads rather than
23 larger loads that they typically would do in a
24 commercial facility.

25 ASSOCIATE MEMBER ROSENFELD: Wayne, I

1 should know this, but can you remind me, are the
2 residential units, under federal, significantly
3 less efficient than --

4 MR. MORRIS: I couldn't comment because
5 they're different. Different because of the
6 water.

7 MR. FEINSTEIN: I'd like to comment on
8 that, if I may. Typically on the topload washers
9 the machines, as of a year or so ago, the domestic
10 washer, a topload washer, was using approximately
11 44 gallons of water per cycle.

12 And the commercial machines that we use
13 in our industry uses about 30 gallons or 31
14 gallons per cycle.

15 What happens is, especially in
16 California, there's been an influx of conversions
17 and buildings built with in-unit laundry room
18 facilities. Now, those facilities may require, or
19 the facilities may be designed for a stackable
20 washer/dryer unit combination, or a side-by-side
21 unit.

22 If, in fact, that happens and that
23 equipment is installed, they generally will use
24 the machines three to five times more in-unit than
25 they would as if it was down in a laundry room.

1 So the usages is much greater in the
2 unit than it is in the central laundry room.
3 Therefore, using much more utilities. And the
4 equipment that's generally being used is not the
5 same energy efficiency that our commercial laundry
6 equipment presently is.

7 ASSOCIATE MEMBER ROSENFELD: Noah
8 Horowitz.

9 MR. HOROWITZ: Noah Horowitz, NRDC.
10 Just one point of clarification for the audience.
11 The CEC has passed standards in their title 20
12 proceedings that cover residential washers that no
13 only includes a water factor that's the same as
14 the commercial one, but it's tier two is even more
15 stringent than the commercial washers.

16 So, the fact that people may be moving
17 to washers in their unit, it's incorrect to assume
18 that those are less efficient washers. In fact,
19 in the future they may be more efficient.

20 MR. POPE: Ted Pope, Energy Solutions.
21 If I could amend your -- actually the residential
22 water factor of tier one is more aggressive than
23 the proposed commercial. Residential is 8.5;
24 commercial is 9.5.

25 MR. FEINSTEIN: Again, one of the issues

1 that will take place, again you'll have the
2 property owners and property management companies
3 will have the opportunity to purchase that
4 equipment out of state if it's not a federally
5 mandated energy efficient machine; that they can
6 purchase that equipment considerably cheaper and
7 bring it into the state. And use that equipment
8 still in California.

9 ASSOCIATE MEMBER ROSENFELD: In new
10 buildings?

11 MR. FEINSTEIN: Yes.

12 ASSOCIATE MEMBER ROSENFELD: I thought
13 that our rules prevented the installation of
14 spurious, noncomplying equipment. That's what
15 Michael Martin just said, if I was listening.

16 MR. MARTIN: That is the case with
17 things like air conditioners and water heaters and
18 so on.

19 ASSOCIATE MEMBER ROSENFELD: Yeah.

20 MR. MARTIN: Where it's covered by the
21 building standards. But I don't believe the
22 building standards make any mention of clothes
23 washers.

24 ASSOCIATE MEMBER ROSENFELD: Thank you.

1 MR. MORRIS: I believe that's correct.

2 MR. FEINSTEIN: One comment --

3 MR. BLEES: I'm not sure that's true.

4 We'll have to check that.

5 MR. FEINSTEIN: You still need a federal
6 waiver, as I understand it, for the residential
7 standards to take effect. And based on an earlier
8 conversation, that tends not to be very
9 expeditious.

10 So while these regulations are set to
11 take effect next year, I'm fairly certain that
12 waiver will not be granted within that timeframe.

13 MR. BLEES: Unless you help us out.

14 ASSOCIATE MEMBER ROSENFELD: Well, if
15 I'm sounding -- I'm still not clear whether I got
16 my question answered. The real problem seems to
17 be, everything we've heard recently, that Behemoth
18 can order a noncomplying machine and get it
19 installed. And you don't have that ability.

20 Jonathan, you're the attorney here. Is
21 there any way we can slow down that leakage.

22 MR. BLEES: It's a complicated question,
23 which is in part related to the building
24 standards. So, I am going to say it depends. And
25 we'll have to look at it.

1 MR. FEINSTEIN: One of the other issues
2 that happens is that particularly in the smaller
3 buildings we have the opportunity of
4 remanufacturing equipment, whether it be, you
5 know, three-year-old equipment or five- or six-
6 year-old equipment. And putting it out for
7 another four or five years.

8 Whereas if we have to comply with the
9 new standards, that means that those machines
10 can't be remanufactured, and new machines have to
11 be placed.

12 MR. BLEES: I'm sorry, why is that?

13 MR. MARTIN: Could you define what
14 remanufactured means?

15 MR. FEINSTEIN: Remanufactured machines
16 are machines that have been taken out of a larger
17 facility and brought in, for example, into my
18 plant. New belts, hoses, pump, painted, possibly
19 a new top, and reinstalled in a smaller building.

20 MR. MARTIN: Our regulations, the very
21 first sentence indicates that they apply only to
22 new appliances.

23 MR. POPE: Furthermore, you're not
24 selling that product to your customers. There's
25 no sale happening here. So I don't see how that

1 would be covered. So, as far as I can tell, your,
2 you know, leasing of remanufactured washers is
3 completely unaffected by the proposed standard.

4 MR. FEINSTEIN: We do sell equipment, as
5 well.

6 MR. POPE: So that piece would be
7 affected.

8 MR. FEINSTEIN: Yes, we --

9 MR. MARTIN: No, it wouldn't be affected
10 because --

11 MR. POPE: It's not new, right.

12 MR. MARTIN: Let me go to 1601, the very
13 first sentence of the regulation says it's --

14 ASSOCIATE MEMBER ROSENFELD: Michael,
15 what page are you looking on, I'm sorry?

16 MR. MARTIN: I'm looking at page 1 of
17 the regulations. Which says, "This article
18 applies to the following types of new appliances
19 if they are sold or offered for sale in
20 California, except those sold wholesale in
21 California for final retail sale outside the
22 state, and those designed and sold exclusively for
23 use in recreational vehicles or other mobile
24 equipment."

25 So it only applies to new appliances.

1 And doesn't apply at all to remanufactured
2 appliances.

3 MR. GOVENAR: Well, that would then
4 create a tremendous market for remanufactured
5 machines --

6 ASSOCIATE MEMBER ROSENFELD: I think
7 that's correct.

8 MR. GOVENAR: -- and your energy
9 savings, projected energy savings would go down
10 considerably because you rebuild them forever.

11 ASSOCIATE MEMBER ROSENFELD: Yeah, but
12 the cost effectiveness on new ones does not. It's
13 true, the sunset will be long. But that should
14 suit you fine.

15 MR. FEINSTEIN: By remanufacturing
16 machines it does two things as far as the state's
17 concerned. One is it reduces the sales tax that
18 we pay when we purchase the equipment. It also
19 reduces the property tax that we pay on the
20 equipment, because needless to say, the property
21 tax on new equipment is much greater than it is on
22 equipment that's five or six or ten years old.

23 ASSOCIATE MEMBER ROSENFELD: Oh, that
24 means that you like the remanufactured equipment,
25 right? Seems like you should be happy with what

1 Michael Martin just said. You can continue as
2 long as you wish.

3 MR. BLEES: And it generates jobs in
4 California.

5 MR. FEINSTEIN: My preference is to
6 install new equipment every five years.

7 ASSOCIATE MEMBER ROSENFELD: But you
8 were just objecting to that.

9 MR. FEINSTEIN: I'm objecting to it if I
10 have to pay \$400, \$500 or \$600 more for an
11 appliance and putting it in a small building that
12 I've been able to, in the past been able to put in
13 a new machine and offer a better service to the
14 tenants.

15 MR. BLEES: But how were you able to
16 compete against Behemoth? I mean setting aside
17 the standard, Behemoth has the, you know, is
18 saving \$350 a machine, or some number of hundreds
19 of dollars a machine because it can buy at bulk
20 and you can't; and it's able to buy in Oregon and
21 avoid the California sales tax. Then why are you
22 still in business?

23 MR. FEINSTEIN: On the topload washers
24 today the cost structure is only minuscule. It's
25 anywhere from \$25 to \$50 difference what they pay

1 versus what I pay. On the frontload washers it's
2 considerably higher than I have to pay because
3 they have a national contract on the frontload
4 washers.

5 MR. BLEES: So this problem exists only
6 for the frontload washers?

7 MR. FEINSTEIN: On the frontload
8 washers, yes.

9 MR. MORRIS: Which are the only ones
10 that really comply in any great amount. As we've
11 just talked to about before, the number of topload
12 machines that comply with the standard are
13 exceedingly few, and probably don't comply with
14 the performance requirements.

15 MR. BLEES: And why is Behemoth been
16 able to get such a good deal on frontloaders, but
17 can't get the same good deal on toploaders?

18 MR. POPE: I'll take a stab at that. I
19 would argue that we're paying inflated prices for
20 these high-end frontload products, and part of the
21 process that happens when you set the standard,
22 granted to perhaps some lower extent when it's
23 just a state standard relative to a federal
24 standard, but you're going to see those prices
25 move down.

1 Since I've got the mike I'm going to
2 acknowledge that there may be an issue as far as,
3 you know, the CEC can't regulate the installation.
4 I think that, you know, that resonates with me a
5 little bit. But I think the other points to this
6 argument that there are no functional toploaders
7 is not accurate, from my perspective.

8 My company runs a statewide commercial
9 washer rebate program. I can tell you the last
10 few months qualifying toploaders have had major
11 significant share of our program volume. And
12 they're made by at least two manufacturers. And
13 we have not been hearing customer complaints.

14 I'd be surprised to hear that the
15 manufacturer that makes the product that sells
16 most commonly now in the topload configuration
17 doesn't work at all, since they're one of the
18 largest manufacturers of commercial washing
19 equipment.

20 It very much surprised me that that
21 product doesn't wash clothing, given the
22 importance of the reputation of the manufacturers.

23 The cost of that equipment is marginally
24 higher than noncompliance topload products. So,
25 you certainly have a topload option that complies,

1 well exceeds the proposed standard, that is only
2 marginally more expensive.

3 This argument that there are hardly any
4 products when you deconstruct the model list I
5 think is a spurious argument. Nominally it's true
6 that you can classify, certainly on the EnergyStar
7 list or the Consortium of Energy Efficiency list,
8 there are products that are no longer
9 manufactured. That's just how those lists are
10 created.

11 But if you -- I forget the numbers
12 exactly, but let's say there's still 120 products
13 on that list that are available in the
14 marketplace. And you start deconstructing those
15 down to two or three basic models, you have to do
16 the same thing to all products.

17 And if you reduce the numerator you have
18 to reduce the denominator, and you get the same
19 basic proportion of available product. So I
20 really think that argument keeps coming up, and I
21 think it's largely spurious.

22 And I think, while I agree any given
23 property owner may say, look, I'm not taking any
24 less of the commission, and I'm going to enjoy the
25 big resource savings I'm getting, too bad for you.

1 And if you don't like it, raise the vend price.
2 That may happen here and there, but that is a
3 market issue. The market is going to sort that
4 out. It's not a standard problem.

5 Laundry rooms are an amenity in
6 multifamily environments. And there are market
7 pressures there, that, you know, if not
8 immediately, in a lot of circumstances certainly
9 in the long term, those unreasonable allocations,
10 I think, are going to smooth out. That's what the
11 market does.

12 And so I don't see this as a situation
13 that's going to be a bad thing for the residents
14 in the long term. And I --

15 MR. MORRIS: I've got to respond to that
16 because I'm afraid that my words got taken out of
17 context. Sorry, Ted, if I didn't make myself
18 clearer.

19 But I was not disparaging the
20 performance of many of the manufacturers who make
21 either topload or frontload machines. I was
22 simply stating that there are some machines that
23 are available in residential situations that may
24 not work in some of the commercial applications.
25 And therefore the numbers of machines that are

1 listed on the CEE list may not, in fact, be
2 appropriate for the list that the route operators
3 or commercial establishments may be able to choose
4 from. That's --

5 MR. POPE: I'm not clear on that. We're
6 talking about the commercial washer list, I think.
7 And --

8 MR. MORRIS: I think we are, but not in
9 all cases. As I'm just saying, they choose
10 machines which are appropriate for their
11 situations that they need.

12 And I don't believe that we can sit here
13 and immediately dismiss the letter that Alliance
14 Laundry has put out to tell us what the number of
15 models are, in fact, down to. And I don't know
16 whether you're prepared to say that they're lying
17 about these numbers, but --

18 MR. POPE: I'm certainly not saying that
19 there's a factual misstatement there. I don't
20 have the details to affirm or deny it. But what
21 I'm saying is the argument here is that all those
22 different model numbers are just financing
23 options. And that's not true. There may be a
24 little bit of that, but there are different model
25 numbers for how the vending equipment, is it a

1 drop or a slide, or you know, a card vend. Is it
2 controls in the back or in the front. I mean
3 there's all kinds of differentiations.

4 And I would agree that the same basic
5 box is the same, but that's true for all washers.
6 There's not that much variety in the market. Who
7 needs it. It's a basic box. And then you get
8 differentiation in some of the functional details
9 and the programming.

10 But, to try and make it sound like
11 there's only two choices versus hundreds of other
12 choices that don't comply I think is a really
13 disingenuous argument.

14 MR. MORRIS: Well, Ted, respectfully the
15 Commission, in its recent reply, is not accurately
16 portraying the availability of product by citing
17 187 models of high efficiency commercial clothes
18 washers on the Consortium of Energy Efficiency
19 qualified product list, which meet the energy
20 factor and water standards.

21 And Alliance goes on to state, "The
22 total number of models on the list is 187.
23 Alliance has 156 models on this list. Seventy-two
24 are discontinued. Eighty-four are actual
25 concurrent production models. Seventy are

1 frontload and 14 are topload. The frontload basic
2 energy models are actually two, not 70, but two.
3 And the topload models are one." So, --

4 MR. POPE: Wayne, my response is so
5 what.

6 MR. MORRIS: Well, the argument that Mr.
7 Martin made --

8 MR. POPE: There actually are eight
9 choices.

10 MR. MORRIS: -- with the staff says that
11 there are a wide variety of topload washers that
12 meet the standard. It's just not true.

13 MR. POPE: So this is a big semantic
14 debate over whether a washer with two different
15 coin boxes is a different choice or not. And all
16 I'm saying is if you're going to say, no, that's
17 one choice, then you have to say the same thing
18 for all the other products. And --

19 MR. BLEES: The fact is that there are
20 somewhere between one and a larger number of
21 compliant models available now. Right?

22 MR. MORRIS: Right.

23 MR. BLEES: Okay. And the real problem
24 that these gentlemen are here to -- Mr., is it
25 Feinstein?

1 MR. FEINSTEIN: Yes, sir.

2 MR. BLEES: Feinstein and Mr. Govenar
3 are here today to talk about is Mr. Feinstein's
4 economic problems, right?

5 MR. FEINSTEIN: Yes, that's one.

6 MR. BLEES: Yeah, I mean you can --
7 well, I mean if the economic problem went away you
8 wouldn't be here, right? Today? Right?

9 MR. FEINSTEIN: If I was able to buy the
10 frontload washer for the same that I'm buying the
11 topload washer, I probably would not be here
12 today.

13 MR. BLEES: Okay. So, as I understand
14 this -- I'm now looking at the May 28th letter
15 from Governmental Advocates from Mr. Govenar, and
16 an attachment, cost analysis. And I just want to
17 make sure I understand.

18 The last paragraph begins, "Three units
19 0.9 average" --

20 ASSOCIATE MEMBER ROSENFELD: Thank you.

21 MR. BLEES: And all of the following
22 paragraphs on the next page. As I understand it,
23 those paragraphs say how much Mr. Feinstein and
24 other laundry route operators would have to raise
25 the per-use charge in order to recoup the money

1 that you assert the standards are costing him, is
2 that right?

3 MR. FEINSTEIN: Yes.

4 MR. GOVENAR: Right.

5 MR. BLEES: Again, just to make sure I
6 understand, if we accept all of your numbers, the
7 absolute worst case is that Mr. Feinstein has to
8 raise his prices by 33 cents per use, is that
9 right?

10 I mean that's the highest number I see
11 here in these paragraphs, is 33 cents per use. Is
12 that right?

13 MR. FEINSTEIN: At present, yes.

14 MR. BLEES: Well, I mean these are your
15 numbers.

16 MR. FEINSTEIN: Right, but -- I'm saying
17 it --

18 MR. BLEES: So that --

19 MR. FEINSTEIN: Yes.

20 MR. BLEES: So if every -- if we accept
21 everything else that you've said about the
22 economic impacts, the absolute worst thing that
23 will happen is that you have to raise your rates
24 by 33 cents per wash, and that's only in the
25 three-unit buildings. The other larger unit

1 buildings it's less.

2 Now, what's going to happen if you have
3 to do that? Why is that a problem at all?

4 MR. FEINSTEIN: Well, one reason is that
5 we try to take into consideration the folks who
6 are living in those particular, in the smaller
7 units, or the apartment buildings, are generally
8 of the lower income level. So we do try to take
9 into consideration their budgets. We try to
10 maintain not only their business, but also take
11 into consideration their life style, as well.

12 The other --

13 MR. BLEES: That's admirable, but I mean
14 that's not --

15 MR. FEINSTEIN: Well, we do take that
16 into consideration.

17 MR. BLEES: -- that's not -- no, I
18 understand that, but I mean just so we're clear,
19 that's not an economic impact on you.

20 MR. FEINSTEIN: The other thing is we
21 can't raise the machine by 33 cents. If we raise
22 the machine it's got to be in 25-cent increments.

23 MR. BLEES: Okay.

24 MR. FEINSTEIN: So it would go from
25 probably to a \$1.50 per load. The other thing

1 that has not been taken into consideration is the
2 impact on the service. Because the service
3 increases considerably on the frontload washers
4 over the present topload machines.

5 MR. BLEES: No, but your numbers in this
6 attachment, the 33 percent per use increase
7 accounts for an increased service cost. It says
8 so right here. It says an additional 36 per year
9 in service costs and that's taken into account.

10 MR. GOVENAR: But the statute doesn't
11 say you can increase if it's not much. You may
12 not increase. I mean that's what it says if it
13 affects the consumer over the life of the product.
14 And it does.

15 ASSOCIATE MEMBER ROSENFELD: I think the
16 statute deals with societal costs. Sorry.

17 MR. GOVENAR: Societal versus out-of-
18 pocket?

19 ASSOCIATE MEMBER ROSENFELD: Yes.

20 MR. GOVENAR: Okay.

21 ASSOCIATE MEMBER ROSENFELD: There
22 really is a problem dealing with, I think, greedy
23 building operators. Jonathan and I admit that.
24 Ted Pope says it will go away eventually. But
25 that's, I think that's not our problem. I think

1 we are dealing with societal costs.

2 Am I wrong, Jonathan?

3 MR. BLEES: Can I duck that one, too?

4 ASSOCIATE MEMBER ROSENFELD: Yeah.

5 MR. BLEES: All right, thank you.

6 MR. HOROWITZ: May I add something here?

7 ASSOCIATE MEMBER ROSENFELD: Yes, Noah

8 Horowitz.

9 MR. HOROWITZ: Noah Horowitz --

10 MR. BLEES: I'm sorry, Noah, let me just
11 continue with Mr. Feinstein. So, Mr. Feinstein,
12 you -- the price you have to charge is going to go
13 up and perhaps some poor people will not be able
14 to do laundry as often.

15 But, again, if you raise the price
16 aren't you going to get your money back?

17 MR. FEINSTEIN: I hope so.

18 MR. BLEES: Okay.

19 MR. HOROWITZ: Noah Horowitz with NRDC.
20 From listening to the discussion it sounds like
21 worst case you'd have to increase the cost of a
22 wash by two quarters, right?

23 MR. FEINSTEIN: Yes.

24 MR. HOROWITZ: Okay, so that's 50 cents.
25 And if you do the math, if let's say three washes

1 are done a day, that's roughly \$500 a year of new
2 income coming into the coin box. And that washer
3 is going to last five, ten years. So several
4 thousand dollars of additional money will be
5 coming in that you will get, and you may split
6 with the building owner.

7 And on top of that there's going to be
8 water and electricity savings to be shared. So I
9 don't see how the economics aren't favorable here.
10 Even if you did have to increase the cost of the
11 wash.

12 MR. FEINSTEIN: First of all, --

13 MR. HOROWITZ: Which is not what I'm
14 proposing you do.

15 MR. FEINSTEIN: First of all the average
16 isn't -- there's a misperception of three loads
17 per day, because that's not what the average is.
18 We figure about \$12.50 per month per unit for a
19 family-type unit.

20 As I mentioned earlier, if it's a white
21 collar couple, single type building, it's less.
22 If it's a senior building it goes down as low as
23 \$5 or \$6 per unit per month.

24 So, if you do the mathematics I think
25 you'll find that it's not three loads per day that

1 is being averaged out.

2 MR. BLEES: But, Mr. Horowitz, the 33
3 cent number that I've been using is their
4 calculation, and it assumes .3 uses per day per
5 apartment unit. And I mean I don't know what the
6 staff assumed in the original analysis, --

7 MR. HOROWITZ: That would be two washes
8 per day, then. In any event, we could play with
9 the numbers, but hundreds of dollars will be
10 raised over the life of the machine, it's not
11 thousands. And we could quibble over the numbers,
12 but the math isn't working for me here.

13 MR. POPE: This is Ted Pope with Energy
14 Solutions. And these gentlemen may not agree with
15 us at all, but I think I have heard from route
16 operators that right now it is hard to walk into a
17 property owner and offer them the frontload
18 option, and at the same time suggest a
19 renegotiation of the lease because people
20 generally don't like to give away money.

21 And resource savings may or may not be
22 believed by the building owner on this sort of
23 first time hearing about it.

24 But we're talking about a different
25 marketplace when there's a standard. And every

1 route operator is facing the same thing. Putting
2 aside that one issue of the out-of-state folks,
3 putting that aside.

4 So, the whole market will change. And I
5 think that they're going to find that building
6 owners are going to be more -- this will be much
7 more pressure for them to agree to a change in the
8 splits.

9 I do not think the experience of the
10 last few years is indicative of what happens in
11 the new environment of when the standard takes
12 effect.

13 ASSOCIATE MEMBER ROSENFELD: These
14 leases which you have with the building owners are
15 typically for how many years?

16 MR. FEINSTEIN: We try to sign leases
17 anywhere from three to five to ten years.

18 ASSOCIATE MEMBER ROSENFELD: Because, in
19 fact, you are going to use remanufactured
20 machines, and it's going to be many years before
21 the new, by then I hope, frequently available
22 toploaders come in. So it kind of seems as if
23 there's going to be time to let the present lease
24 wear out.

25 MR. FEINSTEIN: Well, we've already

1 started negotiating our existing leases for
2 extensions. And in many cases, you know, some of
3 the building owners have required the Speed Queen
4 topload machine that does meet the requirements.

5 And, you know, we've tried to get longer
6 periods of time and that's been difficult. And in
7 some cases we just had to settle for the same type
8 arrangements that we've had in the past, as far as
9 advanced commissions and monthly percentages, in
10 order to try to get ahead of the game.

11 So those contracts can come up in six
12 years, ten years, depending on what the length of
13 time that we've extended our existing contracts.

14 ASSOCIATE MEMBER ROSENFELD: But it is
15 true that this is all going to happen quite slowly
16 because of the remanufactured possibility. I
17 mean --

18 MR. FEINSTEIN: Personally I don't think
19 the manufacturers can -- if there was a huge
20 demand for them, I don't think they could comply.
21 I don't think they have the ability to manufacture
22 that many frontload washers --

23 ASSOCIATE MEMBER ROSENFELD: I thought
24 we were discussing remanufactured.

25 MR. FEINSTEIN: Oh, I'm sorry. If, in

1 fact, we remanufacture machines, you know, it's
2 not my preference. But, I mean we do
3 remanufacture some.

4 ASSOCIATE MEMBER ROSENFELD: Well, my
5 take home from this is that there is a problem
6 which we should look at on the importing by Mr.
7 Behemoth of Nevada or Oregon products and
8 installing them, and we'll have to look at that.

9 I'd like to ask one last question.
10 Michael Martin has paragraph five in which he says
11 it would be unfair to the manufacturers who've
12 invested money in retooling or planning to retool
13 already, and Wayne Morris says it ain't so.

14 Do you want to say anything about your
15 point of view, Michael, to Wayne --

16 MR. MARTIN: Well, my point of view is
17 that anytime the Commission says we're going to do
18 a standard, on any appliance, and then --

19 ASSOCIATE MEMBER ROSENFELD: Waffles.

20 MR. MARTIN: -- and then two years later
21 says we really didn't mean it, that our
22 credibility goes down the drain. And it's a very
23 bad precedent to set.

24 Whether in this particular case all the
25 manufacturers would rather not have this standard,

1 I have no idea. But I would advise, from my
2 experience, that once the Commission has adopted a
3 standard we stick by it as a matter of principle.

4 MR. BLEES: Mr. Morris, certainly some
5 companies have made investments designed to
6 produce compliant machines, yes?

7 MR. MORRIS: Yes.

8 MR. BLEES: And certainly -- well, I
9 would assume that some companies are further along
10 in that process than others?

11 MR. MORRIS: Yes. But the contention
12 here is whether or not the manufacturers would not
13 want to have this standard put in place at the
14 given time.

15 MR. BLEES: No, no, --

16 MR. MORRIS: And the answer is --

17 MR. BLEES: -- no, no.

18 MR. MORRIS: No?

19 MR. BLEES: That's not the contention at
20 all. We know well that no manufacturer has ever
21 supported a standard in California, Washington,
22 D.C., China or --

23 MR. MORRIS: I don't know whether I can
24 say the word never, Jonathan, but --

25 MR. BLEES: Oh, well, all right, thank

1 you for correcting that. No.

2 ASSOCIATE MEMBER ROSENFELD: Sometimes.

3 MR. MORRIS: I believe that the
4 manufacturers in our association were extremely
5 willing to support NAECA when it was first adopted
6 in 1987. In fact, I believe our association
7 helped write the legislation.

8 MR. BLEES: The point is not -- the
9 contention doesn't have anything to do with
10 whether manufacturers like it. The contention is
11 that repealing the standard at this late date
12 would punish those manufacturers that have
13 invested more in compliance, that have made a
14 better good faith effort to comply, as compared to
15 those manufacturers who have not invested so much.

16 MR. MORRIS: And our contention is --

17 MR. BLEES: That's the point.

18 MR. MORRIS: And if that's the
19 statement, then I can safely say to you that our
20 contention is our manufacturers do not feel they
21 would be harmed by delaying this, or taking this
22 out of service all together, this regulation.

23 MR. BLEES: All right, fair enough.

24 Thank you.

25 ASSOCIATE MEMBER ROSENFELD: But thanks

1 for bringing it up, I'll try to think about it.

2 MR. MARTIN: I don't think our positions
3 are inconsistent. What they think and what
4 actually happens may not necessarily be the same.
5 They may be harmed, but they're prepared to be
6 harmed, I guess.

7 MR. MORRIS: I don't know whether you
8 can answer that one. That one may be one of the
9 semantics situations that I guess I'm not very
10 good at debating.

11 You know, the point is here that we have
12 a petition on this particular issue. I fully
13 respect that the Commission may have to consider
14 things like precedents and all that.

15 But we have a petition on this
16 particular issue. And on this particular issue if
17 the statement is that the manufacturers would be
18 harmed on this particular situation, then I have
19 to say we don't feel harmed on this particular
20 situation, so.

21 MR. BLEES: Please throw you in the
22 briar patch, right?

23 MR. MORRIS: I'm speaking to this
24 particular petition.

25 MR. BLEES: No, I understand.

1 MR. MORRIS: And this is a unique
2 situation because we're dealing here with a very
3 limited number of manufacturers that participate
4 in this commercial laundry situation.

5 This is not the same as the residential
6 situation where you have a multiplicity of both
7 U.S. manufactured and foreign manufactured units
8 that are on the marketplace in the United States,
9 with many more additional models and more of a
10 draw-through of the marketplace, much higher
11 volume situations.

12 We're dealing with a commercial
13 situation here with a much fewer number of
14 companies that participate in this marketplace.
15 And so, of those manufacturers that participate --

16 MR. BLEES: Even if there are only two
17 companies, company A has invested a lot more than
18 company B, your message to us today is that
19 company A would rather not see the standards go
20 into effect, even though they've spent a lot of
21 money to comply?

22 MR. MORRIS: I don't have any statement
23 that I can say spent a lot of money to comply.

24 I can tell you that the issue is whether
25 or not the manufacturers who we represent would

1 feel that you should deny this petition based on
2 harm given to manufacturers. We don't believe
3 that that argument should be used.

4 MR. BLEES: Okay, fair enough, thank
5 you.

6 MR. MORRIS: And we do agree with the
7 multifamily housing group that the economic
8 situation that appears to have been originally run
9 may need to be looked at again simply because I
10 don't believe all of the economics have been
11 considered.

12 MR. FERNSTROM: I'd like to raise a
13 perspective here. I think we've demonstrated that
14 this standard would generally be beneficial to
15 Californians. And what we're talking about here
16 is the extent to which the standard might injure
17 large operators versus smaller ones of laundries.

18 It kind of compares in my mind to
19 WalMart coming into town. I mean everyone knows
20 that there are business advantages that larger
21 businesses have relative to smaller ones, and in
22 some cases, vice versa.

23 So the question kind of comes down to
24 whether we should decide to implement a standard
25 based on whether it causes no harm to anyone. Or

1 whether maybe the majority benefit from it. And
2 I'd like to suggest that since the majority of the
3 market is large operators, and the customer base
4 that they serve and Californians, by a majority in
5 general, would benefit from this, we should go
6 ahead and not get into the issue of how large
7 businesses are affected versus small businesses.

8 Because that goes on in business anyway,
9 all across the range of everything we do.

10 MR. FEINSTEIN: Ultimately the effect
11 will be felt by the consumer.

12 MR. FERNSTROM: Well, the consumer would
13 most likely benefit in the case of the larger
14 operators, because if I understood you right you
15 kind of suggested that since they could buy the
16 products less expensively, putting the out-of-
17 state issue aside, that they might not have to
18 change the price.

19 And that would put more pressure on the
20 small operators, which is the basis of your
21 argument showing us what's wrong with all of this.

22 ASSOCIATE MEMBER ROSENFELD: Noah.

23 MR. HOROWITZ: Noah Horowitz, NRDC. I
24 think at the end of the day there is some
25 incremental cost. We could argue if it's this big

1 or this big, once the standard takes effect.

2 But the reality is there's going to be a
3 much larger bag of coins that are going to come
4 from the gas, water and electric savings.

5 And it's just a question of how those
6 are distributed, and that's up to your industry to
7 continue doing it the way things are being done,
8 or to slightly modify how it's done.

9 But I don't see how that's the issue
10 that the CEC has to wrestle with. The numbers are
11 clear.

12 MR. GOVENAR: I think that's just going
13 to depend upon a definition of the statute, which
14 we'll have to get.

15 ASSOCIATE MEMBER ROSENFELD: Say that
16 again? The definition --

17 MR. GOVENAR: I think it depends on how
18 you interpret the statute. And I think we'll have
19 to get that cleared up.

20 MR. HOROWITZ: In terms of how one
21 defines cost effectiveness?

22 MR. GOVENAR: Yes.

23 MR. HOROWITZ: And I think that was
24 handled in the last round of hearings, and they
25 can provide that with you.

1 ASSOCIATE MEMBER ROSENFELD: Think we've
2 heard everything, Michael?

3 MR. MARTIN: You've heard everything
4 you're going to hear from me.

5 (Laughter.)

6 ASSOCIATE MEMBER ROSENFELD: Okay,
7 folks, --

8 MR. MORRIS: Can I ask one thing, Art,
9 that --

10 ASSOCIATE MEMBER ROSENFELD: Yeah.

11 MR. MORRIS: Not particularly on this
12 petition, but on sort of the hearing in general.

13 Before we do have a hearing the next
14 time, that we can have access to the consultants'
15 reports and staff reports in a much more advanced
16 kind of nature, so that we have the ability to
17 really come prepared to these hearings a little
18 more than we did today.

19 And also, I think that it sort of came
20 out in some of the information that there are some
21 groups and organizations that may have had access
22 to some of the information before other groups and
23 organizations.

24 And I think that it really would be wise
25 if we just kept it to everybody either post it,

1 and everybody's available, we all get access to it
2 at the same time, so that we can have sort of an
3 equal ability to comment on these kind of
4 situations.

5 I respect the fact that you all have a
6 tight timeframe to try and do these things in, in
7 a year, and I know that it's rushed. And I
8 appreciate the load of work that the staff has to
9 put out a document of this size. It is a huge
10 undertaking, and I appreciate all the work that
11 goes into that. And I want to thank them for the
12 work that they do.

13 But I do think that in order for us to
14 really be prepared to talk to a lot of these
15 things we really need a little more advanced
16 knowledge of it. Thank you.

17 ASSOCIATE MEMBER ROSENFELD: Wayne, I
18 think you're a hundred percent correct. I think I
19 heard Michael Martin say at least once that he
20 apologized for -- you know, he may be behind
21 schedule; he's not malicious. And I don't know
22 whether he wants an opportunity to say that again,
23 but, yes, Wayne, you're right.

24 MR. MARTIN: I heard Wayne say I don't
25 need to.

1 MR. BLEES: Obviously it's in
2 everybody's interest, including the Commission,
3 that you come fully prepared. I mean you can give
4 us better data, better insights, and so on. So,
5 we'll do our best.

6 ASSOCIATE MEMBER ROSENFELD: Michael, I
7 see in looking at the contents of your guide, that
8 32 was commercial clothes washer petitions. I
9 think we're through that.

10 MR. MARTIN: Yes.

11 ASSOCIATE MEMBER ROSENFELD: You had one
12 last thing which says maintaining regulations. Is
13 there still something on the agenda?

14 MR. MARTIN: I think that these are kind
15 of mostly administrative changes that we made,
16 that we discuss what we made, what we had done.
17 And I think people who wanted to bring those up
18 have found --

19 ASSOCIATE MEMBER ROSENFELD: Opportunity
20 to so do --

21 MR. MARTIN: -- the time to bring them
22 up, so we can certainly talk about those offline.
23 I don't think any of them are controversial.

24 ASSOCIATE MEMBER ROSENFELD: Then we're
25 through?

1 MR. MARTIN: Yes, sir.

2 ASSOCIATE MEMBER ROSENFELD: Thank you
3 all very much for the hard working days in an
4 attempt to understand one another's issues.

5 Okay, thank you.

6 MR. MARTIN: Thank you.

7 (Whereupon, at 12:07 p.m., the workshop
8 was adjourned.)

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